LAMPIRAN A

A

LAPORAN KEUANGAN

Lampiran A berisi bagian dan adaptasi dari Form 10-K (laporan tahunan) untuk dua perusahaan: Colgate Palmolive dan Campbell Soup. Materi tugas dan ilustrasi yang banyak terdapat dalam bab merujuk pada informasi di dalam lampiran ini.

Coltage Palmolive Co. A1–A35

Campbell Soup A36–A56

- Form 10-K (Laporan Tahunan)
- Pos-pos yang dipilih merupakan nomor kode dari [1] sampai [187] untuk mempermudah dalam pereferensian.

Financial Statement

Colgate Palmolive Co.

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

Executive Overview

Colgate-Palmolive Company seeks to deliver strong, consistent business results and superior shareholder returns by providing consumers, on a global basis, with products that make their lives healthier and more enjoyable.

To this end, the Company is tightly focused on two product segments: Oral, Personal and Home Care; and Pet Nutrition. Within these segments, the Company follows a closely defined business strategy to develop and increase market leadership positions in key product categories. These product categories are prioritized based on their capacity to maximize the use of the organization's core competencies and strong global equities and to deliver sustainable long-term growth.

Operationally, the Company is organized along geographic lines with specific regional management teams having responsibility for the financial results in each region. The Company competes in more than 200 countries and territories worldwide, with established businesses in all regions contributing to the Company's sales and profitability. This geographic diversity and balance helps to reduce the Company's exposure to business and other risks in any one country or part of the world.

The Oral, Personal and Home Care segment is operated through four reportable operating segments, North America, Latin America, Europe/South Pacific and Greater Asia/Africa, which sell to a variety of retail and wholesale customers and distributors. In the Pet Nutrition segment, Hill's also competes on a worldwide basis selling its products principally through the veterinary profession and specialty pet retailers.

On an ongoing basis, management focuses on a variety of key indicators to monitor business health and performance. These indicators include market share, sales (including volume, pricing and foreign exchange components), gross profit margin, operating profit, net income and earnings per share; and measures to optimize the management of working capital, capital expenditures, cash flow and return on capital. The monitoring of these indicators, as well as the Company's corporate governance practices (including the Company's Code of Conduct), are used to ensure that business health and strong internal controls are maintained.

To achieve its financial objectives, the Company focuses the organization on initiatives to drive growth and to fund growth. The Company seeks to capture significant opportunities for growth by identifying and meeting consumer needs within its core categories, in particular by deploying valuable consumer and shopper insights in the development of successful new products regionally which are then rolled out on a global basis. Growth opportunities are enhanced in those areas of the world in which economic development and rising consumer incomes expand the size and number of markets for the Company's products.

The investments needed to fund this growth are developed through continuous, corporate-wide initiatives to lower costs and increase effective asset utilization. The Company also continues to prioritize its investments toward its higher-margin businesses, specifically Oral Care, Personal Care and Pet Nutrition. The Company purchased Tom's of Maine, Inc. in the second quarter of 2006. This acquisition allowed the Company to enter the fast growing health and specialty trade channel where Tom's of Maine toothpaste and deodorant are market leaders. In 2004, the Company completed its acquisition of GABA Holding AG (GABA), a privately owned European oral care company headquartered in Switzerland.

Consistent with the Company's strategy to prioritize higher-margin businesses, in the fourth quarter of 2006 the Company announced its agreement to sell its Latin American and Canadian bleach brands. The transaction closed in Canada during the fourth quarter of 2006. The Latin American transaction is expected to close during the first half of 2007. Also, consistent with this strategy the Company divested its North American and Southeast Asian heavy-duty laundry detergent brands during 2005.

In December 2004, the Company commenced a four-year restructuring and business-building program (the 2004 Restructuring Program) to enhance the Company's global leadership position in its core businesses. As part of this program the Company anticipates the rationalization of approximately one-third of the Company's manufacturing facilities, closure of certain warehousing facilities and an estimated 12% workforce reduction. The cost of implementing the 2004 Restructuring Program is estimated to result in cumulative pretax charges, once all the phases are approved and implemented, totaling between $750 and $900 ($550 and $650 aftertax). Savings are projected to be in the range of $325 and $400 ($250 and $300 aftertax) annually by 2008.

Looking forward into 2007, while the Company expects market conditions to remain highly competitive, the Company believes it is well positioned for continued growth. As further explained in the Outlook section on page 29 of this report, over the long-term, the Company's continued focus on its consumer products business and the strength of its global brand names, its broad international presence in both developed and developing markets, and its strong capital base all position it to take advantage of growth opportunities and to increase profitability and shareholder value.

Results of Operations

Net Sales

Worldwide sales were $12,237.7 in 2006, up 7.5% from 2005 driven by unit volume gains of 5.5%, net selling price increases of 1.5% and a positive foreign exchange impact of 0.5%. Excluding the impact of the 2005 divestment of the Company's heavy-duty laundry detergent business in North America and Southeast Asia, sales increased 9.0% in 2006 on volume growth of 7.0%.

Sales in the Oral, Personal and Home Care segment were $10,568.6 in 2006, up 7.0% from 2005 driven by volume growth of 5.0%, net selling price increases of 1.0% and a positive foreign exchange impact of 1.0%. Excluding the impact of the 2005 divestments of the Company's heavy-duty laundry detergent business in North America and Southeast Asia, sales increased 9.0% on volume growth of 7.0%. The May 2006 acquisition of Tom's of Maine, Inc. did not have a material impact on reported sales, net income and earnings per share for the year ended December 31, 2006.

Sales in Pet Nutrition were $1,669.1 in 2006, up 10.0% from 2005 driven by volume growth of 6.0% and net selling price increases of 4.5%, offset by a 0.5% negative impact of foreign exchange.

In 2005, worldwide sales were $11,396.9. Sales increased 7.5% from 2004 driven by volume gains of 5.5%, an increase in net selling prices of 0.5% and a positive foreign exchange impact of 1.5%.

Gross Profit

Gross profit margin was 54.8% in 2006, 54.4% in 2005 and 55.1% in 2004. In 2006, Gross profit benefited from higher pricing, a continued focus on cost-savings programs and the shift toward higher margin products, which more than offset the impact of higher raw and packaging material costs and increased restructuring charges. Restructuring charges of $196.2 for the year ended December 31, 2006, which related to accelerated depreciation and certain employee termination benefits under the 2004 Restructuring Program, were included in Cost of sales. Cost of sales for the year ended December 31, 2005 included restructuring charges of $100.2. These charges lowered the reported gross profit margin by 160 basis points (bps) and 90 bps in 2006 and 2005, respectively.

The reduction in gross profit margin in 2005 from 2004 was driven by costs associated with the Company's ongoing 2004 Restructuring Program. In 2005, the benefits from higher pricing, the Company's shift towards higher margin oral care products and cost-savings programs more than offset the impact of higher raw and packaging material costs.

For additional information regarding the Company's 2004 Restructuring Program, refer to "Restructuring Activities" below and Note 4 to the Consolidated Financial Statements.

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of sales were 35.6% in 2006, 34.4% in 2005, and 34.2% in 2004. The 120 bps increase in 2006 was driven by higher levels of advertising (30 bps), charges related to the Company's 2004 Restructuring Program (40 bps) and incremental stock-based compensation expense recognized as a result of adopting Statement of Financial Accounting Standards (SFAS) No. 123 (Revised 2004), "Share-Based Payment" (SFAS 123R) (60 bps). During 2006, the increase in gross profit margin and other savings programs funded an increase in advertising of 11% to $1,320.3, on top of a 12% increase in 2005, to $1,193.6, supporting new product launches and helping increase market shares throughout the world. Selling, general and administrative expenses as a percentage of sales in 2005 only increased by a net 20 bps despite a 40 bps increase in advertising as ongoing cost-savings programs more than offset increases in shipping and handling costs (30 bps) and selling and marketing costs (10 bps).

Other (Income) Expense, Net

Other (income) expense, net was $185.9, $69.2, and $90.3 in 2006, 2005 and 2004, respectively. The components of Other (income) expense, net are presented below:

	2006	2005	2004
Minority interest	$ 57.5	$ 55.3	$ 47.9
Amortization of intangible assets	16.3	15.6	14.3
Equity (income)	(3.4)	(2.0)	(8.5)
Gains on sales of non-core product lines, net	(46.5)	(147.9)	(26.7)
2004 Restructuring Program	153.1	80.8	65.3
2003 restructuring activities	—	—	2.8
Pension and other retiree benefits	—	34.0	—
Investment losses (income)	(5.7)	19.7	(8.7)
Other, net	14.6	13.7	3.9
Total Other (income) expense, net	$185.9	$ 69.2	$ 90.3

As noted in the preceding table, Other (income) expense, net in 2006 included a gain on the sale of the Company's household bleach business in Canada, which was more than offset by increased restructuring charges related to the Company's 2004 Restructuring Program of $153.1.

Investment losses (income) consisted of gains and losses on foreign currency contracts, principally due to declines and increases in the fair value of foreign denominated deposits which are economic hedges of certain foreign currency debt but do not qualify for hedge accounting.

Other (income) expense, net in 2005 included a gain on the sale of heavy-duty laundry detergent businesses in North America and Southeast Asia, which was partially offset by charges related to the Company's 2004 Restructuring Program and pension and other retiree benefits. The charges associated with certain pension and other retiree benefits were primarily a result of the con-

version of one of the Company's international pension plans to a defined contribution plan for all eligible participants and a lump sum payment of normal retirement benefits associated with a retirement plan in the U.S. as required by Statement of Financial Accounting Standard (SFAS) No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" (SFAS 88).

Other (income) expense, net in 2004 included charges of $65.3 related to the Company's 2004 Restructuring Program and a gain of $26.7 on the sale of certain detergent businesses in Latin America.

Operating Profit

In 2006, Operating profit decreased 2% to $2,160.5 as compared with an increase of 4% in 2005 to $2,215.0 from $2,122.1 in 2004. All years presented benefited from sales growth and cost-saving initiatives. The decrease in 2006 was primarily due to an increase in restructuring charges of $212.6, lower gains on sale of non-core brands of $101.4 and incremental stock-based compensation expense of $69.8 recognized as a result of adopting SFAS 123R, partially offset by a higher gross profit margin.

Gains on sale of non-core product lines of $46.5, $147.9 and $26.7 recognized in 2006, 2005 and 2004, respectively, were more than offset by restructuring charges related to the Company's 2004 Restructuring Program of $395.4, $182.8 and $68.7 in 2006, 2005 and 2004, respectively. In addition, Operating profit included $34.0 of charges related to the remeasurement of certain pension obligations in 2005 and $19.7 of business realignment cost in 2004.

For additional information regarding the Company's 2004 Restructuring Program, refer to "Restructuring Activities" below and Note 4 to the Consolidated Financial Statements.

Interest Expense, Net

Interest expense, net was $158.7 in 2006, compared with $136.0 in 2005 and $119.7 in 2004. Interest expense, net was higher in 2006 due to an increase in average interest rates to approximately 5.0% from approximately 4.0% in 2005. Higher interest rates and higher average debt levels primarily to finance the GABA acquisition resulted in increased interest expense in 2005. In 2004, low interest rates allowed the Company to lower interest expense despite increased debt levels resulting from the GABA acquisition.

Income Taxes

The effective income tax rate was 32.4% in 2006, versus 35.0% in 2005 and 33.7% in 2004. The 2006 effective tax rate was increased as a result of the lower effective tax rate on restructuring charges (80 bps) and decreased by a lower effective tax rate on the sale of the household bleach business in Canada (30 bps).

The 2005 effective tax rate was impacted by $40.9 of income taxes (200 bps) for the incremental repatriation of $780 of foreign earnings related to the American Jobs Creation Act of 2004 (the AJCA) as well as the lower effective tax rate on charges incurred in connection with the Company's 2004 Restructuring Program (130 bps), which in total increased the reported effective tax rate by 330 bps.

Both years benefited from the Company's global tax planning strategies which are reflected principally in overseas earnings being taxed at lower rates.

The impact of the 2004 Restructuring Program on the effective income tax rate for an individual period will depend upon the projects and the related tax jurisdictions involved. The tax benefit derived from the charges incurred in 2006, 2005 and 2004 for the 2004 Restructuring Program was at a rate of 27.6%, 20.6% and 30.1%, respectively. Over its duration, charges associated with the 2004 Restructuring Program are projected to generate tax benefits at a rate between 25% and 30%.

For additional information regarding the Company's income taxes refer to Note 11 to the Consolidated Financial Statements.

Net Income

Net income was $1,353.4 in 2006 or $2.46 per share on a diluted basis compared with $1,351.4 in 2005 or $2.43 per share and $1,327.1 in 2004 or $2.33 per share. Net income in 2006 included $38.2 ($0.07 per share) of gains on the sale of the household bleach business in Canada which was more than offset by $286.3 ($0.52 per share) of charges related to the Company's 2004 Restructuring Program and $48.1 ($0.09 per share) of incremental stock-based compensation charges due to the adoption of SFAS 123R. In 2005, Net income was impacted by a net aftertax charge of $115.2 ($0.21 per share) resulting from restructuring charges, gains on sales of certain non-core brands, income tax expense for the incremental repatriation of foreign earnings related to the AJCA and certain pension charges. Net income in 2004 includes an aftertax charge of $48.0 ($0.09 per share) associated with the initial phase of the 2004 Restructuring Program.

Segment Results

Effective January 1, 2006, the Company modified the geographic reporting structure of its Oral, Personal and Home Care segment in order to address evolving markets and more closely align countries with similar consumer needs and retail trade structures. Management responsibility for Eastern European operations, including Russia, Turkey, Ukraine and Belarus, was transferred to Greater Asia management and responsibility for operations in the South Pacific, including Australia, was transferred to European management. The financial information for 2005 and 2004 has been reclassified to conform to the new reporting structure.

The Company markets its products in over 200 countries and territories throughout the world in two distinct business segments: Oral, Personal and Home Care; and Pet Nutrition. Management evaluates segment performance based on several factors, including Operating profit. The Company uses Operating profit as a measure of operating segment performance because it excludes the impact of corporate-driven decisions related to interest expense and income taxes.

Worldwide Net Sales by Business Segment and Geographic Region

	2006	2005	2004
Oral, Personal and Home Care			
North America[1]	$ 2,590.8	$ 2,509.8	$ 2,378.7
Latin America	3,019.5	2,623.8	2,266.0
Europe/South Pacific	2,952.3	2,845.9	2,759.4
Greater Asia/Africa	2,006.0	1,897.2	1,747.0
Total Oral, Personal and Home Care	10,568.6	9,876.7	9,151.1
Pet Nutrition[2]	1,669.1	1,520.2	1,433.1
Total Net sales	$12,237.7	$11,396.9	$10,584.2

(1) Net sales in the U.S. for Oral, Personal and Home Care were $2,211.2, $2,124.2 and $2,000.3 in 2006, 2005 and 2004, respectively.
(2) Net sales in the U.S. for Pet Nutrition were $897.9, $818.1 and $781.0 in 2006, 2005 and 2004, respectively.

Worldwide Operating Profit by Business Segment and Geographic Region

	2006	2005	2004
Oral, Personal and Home Care			
North America	$ 550.1	$ 545.7	$ 530.1
Latin America	872.9	698.0	627.7
Europe/South Pacific	681.2	619.8	611.5
Greater Asia/Africa	278.7	245.5	237.6
Total Oral, Personal and Home Care	2,382.9	2,109.0	2,006.9
Pet Nutrition	447.9	412.8	389.7
Corporate	(670.3)	(306.8)	(274.5)
Total Operating profit	$2,160.5	$2,215.0	$2,122.1

North America

Net sales in North America increased 3.0% in 2006 to $2,590.8 on 3.5% volume growth and a 0.5% positive impact of foreign exchange, offset by a 1.0% reduction in net selling prices. Net sales, excluding the divested heavy-duty laundry detergent business increased 6.5% on volume gains of 7.0%. The May 2006 acquisition of Tom's of Maine, Inc. contributed 1.0% to North American sales and volume growth. In the U.S., new product activity contributed to growth across categories. Successful new products included Colgate Luminous Mint Twist toothpaste, Colgate 360° manual toothbrush, Softsoap Brand Decorative Collection liquid hand soap, Irish Spring MoistureBlast bar soap, Softsoap Brand Pure Cashmere moisturizing body wash and liquid hand soap, Fabuloso multi-purpose spray cleaner and Palmolive Oxy Plus Odor Eliminator dish liquid. In 2005, Net sales in North America increased 5.5% to $2,509.8 on volume gains of 4.0%, positive foreign exchange of 1.0% and increases in net selling prices of 0.5%. Net sales in 2005, excluding the divested heavy-duty laundry detergent business, increased 8.0% on volume gains of 6.5%.

Operating profit in North America increased 1% in 2006 to $550.1, even after the negative profit impact of the 2005 detergent divestment and increased commercial investment. In 2005, Operating profit in North America increased 3% to $545.7 as increased sales were partially offset by declines in gross profit margin reflecting increased raw and packaging material costs.

Latin America

Net sales in Latin America increased 15.0% in 2006 to $3,019.5 as a result of 10.0% volume growth, 4.0% higher pricing and 1.0% positive impact of foreign exchange. Every country in the region contributed to the very strong volume gains, led by Brazil, Mexico, Venezuela, Central America, Colombia, Argentina and Ecuador. Growth was driven by strong sales of Colgate Total, Colgate Sensitive, Colgate Max Fresh and Colgate Anti-Cavity toothpastes and the recent launch of Colgate 360° manual toothbrush. In other categories, Palmolive Nutri-Milk and Protex Oats bar soaps, Lady Speed Stick Double Defense deodorant, Palmolive Hydra Natura ActiFirm and Extra Dry body lotions and Palmolive Naturals expanded line of hair care products contributed to gains in the region. In 2005, Net sales in Latin America increased 16.0% to $2,623.8 as a result of 7.0% volume growth, increases in net selling prices of 4.0% and a positive foreign exchange impact of 5.0%. Net sales in 2005, excluding divested detergent businesses in Ecuador and Peru, increased 16.5% on volume gains of 7.5%.

Operating profit in Latin America increased 25% to $872.9 in 2006 and increased 11% to $698.0 in 2005. Both years benefited from increased sales and higher gross profit margins, which more than offset the increased level of advertising.

Europe/South Pacific

Net sales in Europe/South Pacific increased 3.5% in 2006 to $2,952.3 as a result of 4.0% volume growth and 0.5% positive impact of foreign exchange, offset by a 1.0% reduction in net selling prices. Net sales in 2006, excluding the 2005 divestments, increased 4.5% on volume gains of 5.0%. Volume gains in Australia, the United Kingdom, Denmark, Spain, Italy, Switzerland, Greece, Ireland, Poland, Hungary, Romania and the GABA business more than offset volume declines in Germany and France due to challenging economic conditions. Successful new products driving these gains included Colgate Time Control, Colgate Max Fresh and Colgate Sensitive Multi-Protection toothpastes. Recent innovations contributing to gains in other categories included Colgate 360° manual toothbrush, Colgate Plax Whitening mouth rinse, Palmolive Pure Cashmere, Palmolive BodYogurt and Palmolive Naturals with Olive Milk shower gels, and Ajax Professional Degreaser and Ajax Professional Double Power spray cleaners. In 2005, Net sales in Europe/South Pacific increased 3.0% to $2,845.9 on 4.5% volume growth, a 0.5% positive impact of foreign exchange and a 2.0% decline in net selling prices. Excluding divestments, Net sales in 2005 increased 3.5% on volume gains of 5.0%. The June 2004 acquisition of GABA contributed 4.0% to European/South Pacific sales and volume growth in 2005.

Operating profit in Europe/South Pacific increased 10% to $681.2 in 2006, as a result of volume growth and ongoing cost-control initiatives partially offset by an increased level of advertising. Operating profit in Europe/South Pacific increased 1% to $619.8 in 2005 reflecting volume growth and increased gross profit margins partially offset by an increased level of advertising.

Greater Asia/Africa

Net sales in Greater Asia/Africa increased 5.5% in 2006 to $2,006.0 on volume gains of 2.5%, an increase in net selling prices of 2.0% and 1.0% positive impact of foreign exchange. Net sales, excluding the divested detergent business in Southeast Asia, increased 10.5% on volume gains of 7.5%. Strong volume gains were achieved in nearly every country in the region led by Malaysia, Thailand, Philippines, Vietnam, India, the Gulf States, South Africa, and Russia and the rest of the countries in the Commonwealth of Independent States. Successful new products driving the oral care growth included Colgate Max Fresh, Colgate Sensitive Multi-Protection, Colgate Anti-Cavity and Darlie Tea Care Mint toothpastes, and Colgate 360° manual toothbrush. New products contributing to growth in other categories in the region included Palmolive Nutri-Milk bar soap, Palmolive Naturals shampoo and conditioner, Protex Deo 12 bar soap and shower gel, and Lady Speed Stick Aloe deodorant. In 2005, Net sales in Greater Asia/Africa increased 8.5% to $1,897.2 on 8.0% volume growth, a 1.0% positive impact of foreign exchange and a 0.5% decline in net selling prices.

Operating profit in Greater Asia/Africa increased 14% in 2006 to $278.7 reflecting increased sales and gross profit margins, partially offset by an increased level of advertising. Operating profit grew 3% in Greater Asia/Africa to $245.5 in 2005 as a result of volume growth, which more than offset an increased level of advertising and higher shipping and handling costs.

Pet Nutrition

Net sales for Hill's Pet Nutrition increased 10.0% in 2006 to $1,669.1 on volume gains of 6.0% and an increase in net selling prices of 4.5%, offset by a 0.5% negative impact of foreign exchange. Strong sales of Science Diet Lamb Meal & Rice Recipe Large Breed dog food, Science Diet Lamb Meal & Rice Recipe Small Bites dog food and Science Diet Indoor Cat food continued to drive growth in the U.S. specialty retail channel. In the U.S. veterinary channel, Prescription Diet j/d Canine, the relaunch of Prescription Diet d/d Canine and Feline foods and a new chicken variety for Prescription Diet Feline r/d and w/d foods contributed to growth. Internationally, growth was strong led by Belgium, Germany, Denmark, Italy, the United Kingdom, Australia, Brazil, Taiwan and Russia. New pet food products contributing to the international growth included Prescription Diet j/d Canine, Prescription Diet Feline Chunks in Gravy pouches and Science Plan Neutered Cat, a new veterinary exclusive product. In 2005, Net sales for Hill's Pet Nutrition increased 6.0% to $1,520.2, driven by volume growth of 4.0%, an increase in net selling prices of 1.5% and positive foreign exchange of 0.5%.

Operating profit grew 9% in 2006 to $447.9 due to increased sales, partially offset by higher advertising spending. Operating profit in Pet Nutrition grew 6% to $412.8 in 2005 as a result of increased sales and gross profit margins, partially offset by higher advertising and increased shipping and handling costs.

Corporate

Operating profit (loss) for the Corporate segment was ($670.3), ($306.8) and ($274.5) for 2006, 2005 and 2004, respectively. Corporate operations include research and development costs, unallocated overhead costs, stock-based compensation related to stock options and restricted stock awards, restructuring and related implementation costs, and gains and losses on sales of non-core brands and assets. The components of Operating profit (loss) for the Corporate segment are presented below:

	2006	2005	2004
Gains on sales of non-core product lines, net	$ 46.5	$ 147.9	$ 26.7
2004 Restructuring Program	(395.4)	(182.8)	(68.7)
Pension and other retiree benefits	—	(24.8)	—
Adoption impact of SFAS 123R	(69.8)	—	—
Unallocated overhead cost and other, net	(251.6)	(247.1)	(232.5)
Total Corporate Operating profit (loss)	$(670.3)	$(306.8)	$(274.5)

The increase in Corporate Operating profit (loss) in 2006 as compared to 2005 was primarily driven by restructuring charges and incremental stock-based compensation, offset by lower gains on the sale of certain non-core brands. In 2005, Corporate operating expenses increased due to restructuring charges and the remeasurement of certain pension obligations as required by SFAS 88, offset by gains on the sale of heavy-duty laundry detergent brands in North America and Southeast Asia.

Restructuring Activities

2004 Restructuring Program

In December 2004, the Company commenced a four-year restructuring and business-building program (the 2004 Restructuring Program) to enhance the Company's global leadership position in its core businesses. As part of this program, the Company anticipates streamlining its global supply chain through the rationalization of approximately one-third of its manufacturing facilities and the closure of certain warehousing facilities and also plans to centralize its purchasing and other business support functions. Business-building initiatives include enhancing and reallocating resources with an increase and upgrade in the sales, marketing and new product organizations in high-potential developing and other key markets, and the consolidation of these organizations in certain mature markets. The 2004 Restructuring Program is expected to result in approximately a 12% workforce reduction.

The cost of implementing the 2004 Restructuring Program is estimated to result in cumulative pretax charges, once all phases are approved and implemented, totaling between $750 and $900 ($550 and $650 aftertax). Savings are projected to be in the range of $325 and $400 ($250 and $300 aftertax) annually by 2008. Over the course of the four-year 2004 Restructuring Program, it is estimated that approximately 50%-60% of the charges will result in cash expenditures. The estimated cost in 2007 is between $175 and $250 ($125 and $175 aftertax). While the Company believes the overall program will be completed within existing estimates, charges and savings may vary in a given year.

During 2004, in connection with the initial phase of the program, the Company announced the closing or reconfiguration of eight manufacturing facilities in North America, Greater Asia/Africa, Europe and Latin America and the realignment of marketing and sales organizations in Europe/South Pacific and Greater Asia/Africa. During 2005, the Company commenced additional projects, the more significant of which related to

changes being implemented in its European and North American manufacturing networks. These changes will allow the Company to more cost effectively manufacture toothpaste, taking advantage of state-of-the-art technologies, and obtain cost-savings through the transfer of bar soap manufacturing to an established U.S. third party.

The Company plans to consolidate toothpaste production in Europe, which is currently located at five company sites, into a new state-of-the-art manufacturing facility in Poland. Upon completion of the consolidation project within the next year, toothpaste manufacturing is expected to cease at the Company's facilities in Salford, United Kingdom; Anzio, Italy; Brasov, Romania; Gebze, Turkey; and Halinow, Poland. Other manufacturing activities will continue at these sites, except the Salford facility, which is expected to be closed. In North America, the Company plans to phase down production at its Jeffersonville, Indiana plant with all production expected to cease by January 2008. The plan calls for transferring production of the Company's market leading Colgate Total toothpaste to a new state-of-the-art facility to be built in Morristown, Tennessee, and the relocation of other production and administrative services currently performed at Jeffersonville to other facilities. The Company's Kansas City, Kansas facility, formally the site of U.S. bar soap production, was closed in late 2006 and all production was transitioned to an established U.S. third-party manufacturer.

In 2006, the Company continued with the implementation of previously announced projects, most notably the changes being implemented in its European and North American manufacturing networks. In addition, the Company implemented several new projects including a voluntary early retirement program in the United States, enabling the Company to continue to re-align organizational resources consistent with its business-building goals. Also consistent with it global manufacturing strategy, the Company initiated the closure of its toothbrush facility in Puerto Rico.

For the years ended December 31, 2006, 2005 and 2004 restructuring and implementation related charges are reflected in the following income statement categories:

	2006	2005	2004
Cost of sales	$196.2	$100.2	$ 3.4
Selling, general and administrative expense	46.1	1.8	—
Other (income) expense, net	153.1	80.8	65.3
Total 2004 Restructuring Program charges pretax	$395.4	$182.8	$68.7
Total 2004 Restructuring Program charges aftertax	$286.3	$145.1	$48.0

Restructuring charges, in the preceding table, are recorded in the Corporate segment as these decisions are corporate-driven and are not included in internal measures of segment operating performance.

Total 2006 charges relate to restructuring activities in North America (45%), Europe/South Pacific (19%), Latin America (4%), Greater Asia/Africa (7%), Pet Nutrition (1%) and Corporate (24%). Total program-to-date accumulated charges relate to restructuring activities in North America (39%), Europe/South Pacific (32%), Latin America (4%), Greater Asia/Africa (7%), Pet Nutrition (1%) and Corporate (17%). Since the inception of the 2004 Restructuring Program in December 2004, the Company has incurred total charges of $646.9 ($479.4 aftertax) in connection with the implementation of various projects.

The majority of costs incurred since inception relate to the following significant projects: the voluntary early retirement program in the U.S.; the announced closing of the Jeffersonville, Indiana oral care facility; the consolidation of toothpaste production in Europe; and exiting certain manufacturing activities in other categories in Portugal, Belgium, Denmark, Canada and Kansas City, Kansas.

The following table summarizes the activity for the restructuring charges discussed above and related accrual:

	Year Ended December 31, 2006				
	Termination Benefits	Incremental Depreciation	Asset Impairments	Other	Total
Charges	$ 41.6	$ 3.3	$ 22.0	$ 1.8	$ 68.7
Cash payments	(1.4)	—	—	(1.4)	(2.8)
Charges against assets	—	(3.3)	(22.0)	—	(25.3)
Foreign exchange	1.5	—	—	—	1.5
Balance at December 31, 2004	$ 41.7	$ —	$ —	$ 0.4	$ 42.1
Charges	58.6	65.3	30.2	28.7	182.8
Cash payments	(47.8)	—	—	(23.4)	(71.2)
Charges against assets	(11.4)	(65.3)	(30.2)	(6.4)	(113.3)
Other	(1.4)	—	—	4.2	2.8
Foreign exchange	(4.4)	—	—	(0.1)	(4.5)
Balance at December 31, 2005	$ 35.3	$ —	$ —	$ 3.4	$ 38.7
Charges	212.7	91.5	6.6	84.6	395.4
Cash payments	(89.7)	—	—	(75.3)	(165.0)
Charges against assets	(98.4)	(91.5)	(6.6)	(6.7)	(203.2)
Other	(10.0)	—	—	5.2	(4.8)
Foreign exchange	3.5	—	—	0.1	3.6
Balance at December 31, 2006	$ 53.4	$ —	$ —	$ 11.3	$ 64.7

Termination benefits are calculated based on long-standing benefit practices, local statutory requirements and, in certain cases, voluntary termination arrangements. Termination benefits incurred pursuant to the 2004 Restructuring Program include pension and other retiree benefit enhancements of $108.4 and $12.8 as of December 31, 2006 and 2005, respectively, and are reflected as Charges against assets and Other charges within Termination Benefits in the preceding table, as the corresponding balance sheet amounts are reflected as a reduction of pension assets and an increase to other retiree benefit liabilities, respectively. During 2006 the Company made an $85.0 voluntary contribution to partially fund this obligation. The Company anticipates that it will make incremental cash contributions to its plans in order to fund these pension obligations over the duration of the 2004 Restructuring Program.

Incremental depreciation was recorded to reflect changes in useful lives and estimated residual values for long-lived assets that will be taken out of service prior to the end of their normal service period. Asset impairments have been recorded to write down assets held for sale or disposal to their fair value based on amounts expected to be realized.

Liquidity and Capital Resources

The Company expects cash flow from operations and existing credit facilities will be sufficient to meet foreseeable business operating and recurring cash needs (including dividends, capital expenditures, planned stock repurchases and restructuring payments). The Company's strong cash-generating capability and financial condition also allow it to access financial markets worldwide.

Cash Flow

Net cash provided by operations in 2006 was $1,821.5 as compared with $1,784.4 in 2005 and $1,754.3 in 2004. The increase in 2006 reflects the Company's improved profitability partially offset by changes in working capital, higher tax payments and increased spending related to the 2004 Restructuring Program.

The Company's working capital as a percentage of sales increased to 2.3% of sales in 2006 as compared with 1.7% of sales in 2005. The Company defines working capital as the difference between current assets (excluding cash and marketable securities, the latter of which is reported in other current assets) and current liabilities (excluding short-term debt). The Company's working capital changes were driven in part by increased inventory levels, higher accounts receivable balances and higher tax payments, offset by higher levels of payables and accruals. Inventory days coverage ratio increased to 69 in 2006 as compared to 61 in 2005, largely as a result of efforts to ensure continued product supply during factory closings related to the 2004 Restructuring Program. Higher balances in accounts receivables were due primarily to higher sales in the fourth quarter of 2006 and a slight increase in days sales outstanding over the prior year, partly due to timing. Higher tax payments were the result of improved profitability as well as the timing of payments. A portion of tax payments for calendar year 2005 were made in 2006, including tax payments of approximately $20 relating to the sale of the Company's Southeast Asian detergent brands in the fourth quarter of 2005.

Investing activities used $620.4 of cash during 2006 compared with uses of $220.7 and $1,090.4 during 2005 and 2004, respectively. The change over 2005 is primarily due to higher payments in 2006 associated with acquisitions versus higher proceeds in 2005 associated with divestitures, along with increased capital spending in 2006.

In 2006, the Company purchased 84% of the outstanding shares of Tom's of Maine, Inc. for approximately $100 plus transaction costs. Additionally, the Company increased its ownership interests in its Poland and Romania subsidiaries to 100% at a cost of approximately $95. In 2005, the Company increased its ownership interests in certain subsidiaries to 100% at a cost of $38.5, primarily related to its Malaysia subsidiary. In 2004, payments for acquisitions pertained to the purchase of 100% of the outstanding shares of GABA.

Consistent with the Company's strategy to prioritize higher margin businesses, investing activities include proceeds from the sale of certain non-core product lines. Investing activities reflect $55.0 of proceeds from the sale of the Company's Canadian bleach brands in 2006 and $215.6 of proceeds from the sale of the Company's Southeast Asian and North American heavy-duty detergent brands in 2005. Investing activities for 2004 include the Company's sale of certain non-core detergent brands in Latin America for an aggregate sales price of $37.0.

Capital expenditures were $476.4, $389.2 and $348.1 for 2006, 2005 and 2004, respectively. Capital spending is trending upwards as a result of the Company's multi-year restructuring and business-building program and continues to focus primarily on projects that yield high aftertax returns. Overall capital expenditures for 2007 are expected to increase to a rate of approximately 5% of Net sales.

Financing activities used $1,059.0 of cash during 2006 compared to $1,524.4 and $611.1 during 2005 and 2004, respectively. Financing activities in 2006 reflect higher proceeds from exercise of stock options, which more than offset an increase in common and preference stock dividend payments as well as higher share repurchases associated with the share repurchase programs authorized by the Board of Directors in 2006 and 2004. Additionally, debt increased $139.1, net of payments, in 2006 versus a decrease of $78.4, net of proceeds, in 2005.

In 2005, financing activities reflect a cash payment of $89.7 to an outside investor as a result of the discontinuation of a financing subsidiary of the Company. The Company previously had a financing subsidiary with outside equity investors, the purpose of which was to purchase some of the Company's receivables thereby giving the Company access to additional sources of capital. The subsidiary, including such receivables, was consolidated and the amounts invested by outside investors were reported as a minority interest.

Dividend payments in 2006 were $677.8, up from $607.2 in 2005 and $536.2 in 2004. Common stock dividend payments increased to $1.25 per share in 2006 from $1.11 per share in 2005 and $0.96 per share in 2004. The Series B Preference Stock dividend payments increased to $10.00 per share in 2006 from $8.88 per share in 2005 and $7.68 per share in 2004. Management currently intends to continue to pay dividends at increasing annual amounts per share from cash provided by operations.

The Company repurchases common shares in the open market and in private transactions to maintain its targeted capital structure and to fulfill the requirements of its compensation and benefit plans. In October 2004, the Board of Directors authorized the Company to purchase up to 20 million shares of the Company's common stock through December 31, 2005 (the 2004 Program) and, in December 2005, the Board of Directors extended this authorization through March 31, 2006. The Company completed this program in the first quarter of 2006. In March 2006, the Board of Directors approved a new stock repurchase program (the 2006 Program), under which the Company may purchase up to 30 million common shares. Aggregate repurchases in 2006, including repurchases under the 2004 and 2006 Programs as well as other Board authorizations, were 15.0 million common shares for a total purchase price of $884.7. Aggregate repurchases for 2005 were 15.1 million common shares for a total purchase price of $796.2. Aggregate repurchases for 2004 were 12.4 million common shares for a total purchase price of $637.9.

Long-term debt increased to $3,497.1 as of December 31, 2006 as compared to $3,274.7 as of December 31, 2005 and total debt increased to $3,671.2 as of December 31, 2006 as compared to $3,446.2 as of December 31, 2005. The Company's long-term debt is rated AA– by Standard & Poor's and Aa3 by Moody's Investors Service. During 2005, the Company issued 250 million of Swiss franc-denominated five-year bonds (approximately $205 at the December 31, 2006 exchange rate) at a fixed rate of 1.9%.

Domestic and foreign commercial paper outstanding was $651.6 and $621.8 as of December 31, 2006 and 2005, respectively, and is denominated in U.S. dollars, Swiss francs and Canadian dollars. The maximum commercial paper outstanding during 2006 and 2005 was $1,400 and $1,715, respectively. These borrowings carry a Standard & Poor's rating of A-1+ and a Moody's Investors Service rating of P-1. At December 31, 2006 and 2005, commercial paper and certain current maturities of notes payable totaling $674.0 and $641.9, respectively, are classified as long-term debt, as the Company has the intent and ability to refinance such obligations on a long-term basis, including, if necessary, by utilizing its lines of credit that expire in 2011.

At December 31, 2006, the Company had access to unused domestic and foreign lines of credit of approximately $2,500 and also had $1,417.2 of medium-term notes available for issuance pursuant to an effective shelf registration statement. The Company's domestic lines of credit include a five-year revolving credit facility of $1,500.0 which was extended an additional year in the fourth quarter of 2006 and now expires in November 2011. These domestic lines are available for general corporate purposes and to support commercial paper issuance.

The ESOP notes guaranteed by the Company and certain credit facilities contain cross-default provisions. Noncompliance with these requirements could ultimately result in the acceleration of amounts owed. The Company is in full compliance with all such requirements and believes the likelihood of noncompliance is remote.

The following represents the scheduled maturities of the Company's contractual obligations as of December 31, 2006:

	Payments Due by Period						
	Total	2007	2008	2009	2010	2011	Thereafter
Long-term debt including current portion(1)	$3,463.8	$1,424.5	$163.0	$231.2	$295.4	$ 25.5	$1,324.2
Net cash interest payments on long-term debt(2)	1,615.9	210.9	107.4	95.6	85.5	75.8	1,040.7
Capitalized leases	33.3	26.2	1.1	1.1	1.0	1.0	2.9
Operating leases	529.8	117.0	104.1	87.7	66.7	51.2	103.1
Purchase obligations(3)	864.0	568.8	246.6	38.7	9.6	0.3	—
Total(4)	$6,506.8	$2,347.4	$622.2	$454.3	$458.2	$153.8	$2,470.9

(1) Long-term debt due in 2007 includes $674.0 of commercial paper and certain current maturities of notes payable that have been classified as long-term debt as of December 31, 2006, as the Company has the intent and ability to refinance such obligations on a long-term basis, including, if necessary, by utilizing its unused lines of credit that expire in 2011.

(2) Includes the net interest payments on fixed and variable rate debt and associated interest rate swaps. Interest payments associated with floating rate instruments are based on management's best estimate of projected interest rates for the remaining term of variable rate debt.

(3) The Company has outstanding purchase obligations with suppliers at the end of 2006 for raw, packaging and other materials in the normal course of business. These purchase obligation amounts represent only those items which are based on agreements that are enforceable and legally binding and that specify minimum quantity, price and term and do not represent total anticipated purchases.

(4) Long-term liabilities associated with the Company's postretirement plans are excluded from the table above due to the uncertainty of the timing of these cash disbursements. The amount and timing of cash funding related to these benefit plans will generally depend on local regulatory requirements, various economic assumptions (the most significant of which are detailed in "Critical Accounting Policies and Use of Estimates" below) and voluntary Company contributions. Based on current information, the Company does not anticipate having to make any mandatory contributions to its qualified U.S. pension plan until 2008. Management's best estimate of cash required to be paid directly from the Company's assets for its postretirement plans for the year ending December 31, 2007 is approximately $57. In addition, the Company currently plans to make approximately $50 of voluntary contributions to the U.S. pension plans.

As more fully described in Note 13 to the Consolidated Financial Statements, the Company is contingently liable with respect to lawsuits, environmental matters, taxes and other matters arising in the ordinary course of business. While it is possible that the Company's cash flows and results of operations in a particular period could be materially affected by the one-time impact of the resolution of such contingencies, it is the opinion of management that the ultimate disposition of these matters will not have a material impact on the Company's financial position, or ongoing results of operations and cash flows.

Off-Balance Sheet Arrangements

The Company does not have off-balance sheet financing or unconsolidated special purpose entities.

Managing Foreign Currency, Interest Rate and Commodity Price Exposure

The Company is exposed to market risk from foreign currency exchange rates, interest rates and commodity price fluctuations. Volatility relating to these exposures is managed on a global basis by utilizing a number of techniques, including working capital management, selective borrowings in local currencies and entering into selective derivative instrument transactions, issued with standard features, in accordance with the Company's treasury and risk management policies. The Company's treasury and risk management policies prohibit the use of leveraged derivatives or derivatives for trading purposes.

As the Company markets its products in over 200 countries and territories, it is exposed to currency fluctuations related to manufacturing and selling its products in currencies other than the U.S. dollar. The Company's major foreign currency exposures involve the markets in Europe and certain Latin American countries, although all regions of the world are subject to foreign currency changes versus the U.S. dollar. The Company monitors its foreign currency exposures in these markets through a combination of cost-containment measures, selling price increases and foreign currency hedging of certain costs in an effort to minimize the impact on earnings of foreign currency rate movements.

The Company primarily utilizes currency forward contracts, cross-currency interest rate swaps, local currency deposits and local currency borrowings to hedge portions of its exposures relating to foreign currency purchases and assets and liabilities created in the normal course of business. From time to time, the Company hedges certain of its forecasted foreign currency transactions using forward contracts with durations no greater than 18 months.

Interest rate swaps and debt issuances are utilized to manage the Company's targeted mix of fixed and floating rate debt and to minimize significant fluctuations in earnings and cash flows that may result from interest rate volatility.

The Company is exposed to price volatility related to raw materials used in production. Futures contracts are used on a limited basis to manage volatility related to anticipated raw material inventory purchases. In 2006, the results of the Company's commodity hedging activities were not material.

The Company is exposed to credit loss in the event of nonperformance by counterparties to the financial instrument contracts held by the Company; however, nonperformance by these counterparties is considered remote as it is the Company's policy to contract with diversified counterparties that have a long-term debt rating of AA–/Aa3 or higher.

Value at Risk

The Company's risk management procedures include the monitoring of interest rate and foreign exchange exposures and hedge positions utilizing statistical analyses of cash flows, market value and sensitivity analysis. However, the use of these techniques to quantify the market risk of such instruments should not be construed as an endorsement of their accuracy or the accuracy of the related assumptions. Market exposures are evaluated using a value-at-risk (VAR) model and an earnings-at-risk (EAR) model that are intended to measure the maximum potential loss in interest rate and foreign exchange financial instruments, assuming adverse market conditions occur, given a 95% confidence level. Historical interest rates and foreign exchange rates are used to estimate the volatility and correlation of future rates.

The estimated maximum potential one-day loss in fair value of interest rate or foreign exchange rate instruments, calculated using the VAR model, is not material to the consolidated financial position, results of operations or cash flows of the Company in 2006 and 2005. The estimated maximum yearly loss in earnings due to interest rate or foreign exchange rate instruments, calculated utilizing the EAR model, is not material to the Company's results of operations in 2006 and 2005. Actual results in the future may differ materially from these projected results due to actual developments in the global financial markets.

For information regarding the Company's accounting policies for financial instruments and description of financial instrument activities, refer to Notes 2 and 7 to the Consolidated Financial Statements.

Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109" (FIN 48), which prescribes accounting for and disclosure of uncertainty in tax positions. This interpretation defines the criteria that must be met for the benefits of a tax position to be recognized in the financial statements and the measurement of tax benefits recognized. The provisions of FIN 48 are effective as of the beginning of the Company's 2007 fiscal year, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company is currently finalizing its analysis of the impact on the Consolidated Financial Statements of adopting FIN 48 and believes that the impact, if any, will not be material.

Refer to Note 2 to the Consolidated Financial Statements for further discussion of recent accounting pronouncements.

Critical Accounting Policies and Use of Estimates

The preparation of financial statements requires management to use judgment and make estimates. The level of uncertainty in estimates and assumptions increases with the length of time until the underlying transactions are completed. Actual results could ultimately differ from those estimates. The accounting policies that are most critical in the preparation of the Company's Consolidated Financial Statements are those that are both important to the presentation of the Company's financial condition and results of operations and require significant or complex judgments and estimates on the part of management. The Company's critical accounting policies are reviewed periodically with the Audit Committee of the Board of Directors.

In certain instances, accounting principles generally accepted in the United States of America allow for the selection of alternative accounting methods. The Company's significant policies that involve the selection of alternative methods are accounting for shipping and handling costs and inventories.

- Shipping and handling costs may be reported as either a component of cost of sales or selling, general and administrative expenses. The Company reports such costs, primarily related to warehousing and outbound freight, in the Consolidated Statements of Income as a component of Selling, general and administrative expenses. Accordingly, the Company's gross profit margin is not comparable with the gross profit margin of those companies that include shipping and handling charges in cost of sales. If such costs had been included in cost of sales, gross profit margin as a percent of sales would have decreased by 770 bps from 54.8% to 47.1% in 2006 and decreased by 750 bps and 720 bps in 2005 and 2004, respectively, with no impact on reported earnings.
- The Company accounts for inventories using both the first-in, first-out (FIFO) method (approximately 80% of inventories) and the last-in, first-out (LIFO) method (approximately 20% of inventories). There would have been no impact on reported earnings for 2006, 2005 and 2004 had all inventories been accounted for under the FIFO method.

The areas of accounting that involve significant or complex judgments and estimates are pensions and other postretirement benefits, stock options, asset impairment, tax valuation allowances, and legal and other contingencies.

- In pension accounting, the most significant actuarial assumptions are the discount rate and the long-term rate of return on plan assets. The discount rate for U.S. plans was 5.80%, 5.50% and 5.75% as of December 31, 2006, 2005 and 2004, respectively. Discount rates used for the U.S. defined benefit and other postretirement plans are based on a yield curve constructed from a portfolio of high-quality bonds for which the timing and amount of cash outflows approximate the estimated payouts of the U.S. plans. For the Company's international plans, the discount rates are set by benchmarking against investment-grade corporate bonds rated AA or better. The assumed long-term rate of return on plan assets for U.S. plans was 8.0% as of December 31, 2006, 2005 and 2004. In determining the long-term rate of return, the Company considers the nature of the plans' investments, an expectation for the plans' investment strategies and the historical rate of return. The historical rate of return for the U.S. plans for the most recent 15-year period was 9%. In addition, the current rate of return assumption for the U.S. plans is based upon a targeted asset allocation of approximately 33% in fixed income securities (which are expected to earn approximately 6% in the long-term), 63% in equity securities (which are expected to earn approximately 9.25% in the long-term) and 4% in real estate and other (which are expected to earn approximately 6% in the long-term).
A 1% change in either the discount rate or the assumed rate of return on plan assets of the U.S. pension plans would cumulatively impact future Net income by approximately $10. A third assumption is the long-term rate of compensation, a change in which would partially offset the impact of a change in either the discount rate or the long-term rate of return. This rate was 4.0% as of December 31, 2006, 2005 and 2004. (Refer to Note 10 to the Consolidated Financial Statements for further discussion of the Company's pension and other postretirement plans.)
- The most judgmental assumption in accounting for other postretirement benefits is the medical cost trend rate. The Company reviews external data and its own historical trends for health care costs to determine the medical cost trend rate. The assumed rate of increase is 10% for 2007, declining 1% per year until reaching the ultimate assumed rate of increase of 5% per year. The effect of a 1% increase in the assumed long-term medical cost trend rate would reduce Net income by approximately $4.
- Effective January 1, 2006, the Company adopted SFAS 123R, "Share-Based Payment," (SFAS 123R) using the modified prospective method. SFAS 123R requires companies to recognize the cost of employee services received in exchange for awards of equity instruments, such as stock options and restricted stock, based on the fair value of those awards at the date of grant. The Company uses the Black-Scholes-Merton (Black-Scholes) option pricing model to determine the fair value of stock-option awards under SFAS 123R. The weighted average estimated fair value of each stock option granted for the year ended December 31, 2006 was $10.30. The Black-Scholes model uses various assumptions to determine the fair value of options. These assumptions include expected term of options, expected volatility, risk-free interest rate and expected dividend yield. While these assumptions do not require significant judgment, as the significant inputs are determined from independent third-party sources, changes in these inputs however, could result in significant changes in fair value. A one year change in term would result in a 15% change in fair value. A one percent change in volatility would change fair value by 4%.
- Asset impairment analysis performed for goodwill and intangible assets requires several estimates including future cash flows, growth rates and the selection of a discount rate. Since the estimated fair value of the Company's intangible assets substantially exceeds the recorded book value, significant changes in these estimates would have to occur to result in an impairment charge related to these assets. Asset impairment analysis related to certain fixed assets in connection with the 2004 Restructuring Program requires management's best estimate of net realizable value.

- Tax valuation allowances are established to reduce tax assets such as tax loss carryforwards, to net realizable value. Factors considered in estimating net realizable value include historical results by tax jurisdiction, carryforward periods, income tax strategies and forecasted taxable income.
- Legal and other contingency reserves are based on management's assessment of the risk of potential loss, which includes consultation with outside legal counsel and advisors. Such assessments are reviewed each period and revised, based on current facts and circumstances, if necessary. While it is possible that the Company's cash flows and results of operations in a particular quarter or year could be materially affected by the one-time impacts of the resolution of such contingencies, it is the opinion of management that the ultimate disposition of these matters will not have a material impact on the Company's financial position, or ongoing results of operations and cash flows. (Refer to Note 13 to the Consolidated Financial Statements for further discussion of the Company's contingencies.)

The Company generates revenue through the sale of well-known consumer products to trade customers under established trading terms. While the recognition of revenue and receivables requires the use of estimates, there is a short time frame (typically less than 60 days) between the shipment of product and cash receipt, thereby reducing the level of uncertainty in these estimates. (Refer to Note 2 to the Consolidated Financial Statements for further description of the Company's significant accounting policies.)

Outlook

Looking forward into 2007, while the Company expects market conditions to remain highly competitive, it believes it is well positioned for continued growth. It anticipates continuing to prioritize its investments in key categories and markets in order to further strengthen its competitive position and build market share. The 2004 Restructuring Program is designed to enhance the Company's global leadership position in its core businesses. As part of the 2004 Restructuring Program, the Company is in the process of streamlining its global supply chain, reallocating resources with an increase and upgrade in the sales, marketing and new product organizations in high-potential developing and other key markets and the consolidation of these organizations in certain mature markets. The savings and benefits from the 2004 Restructuring Program, along with the Company's other ongoing cost-savings and growth initiatives, are anticipated to provide additional funds for investment in support of key categories and new product development while also supporting an increased level of profitability.

However, as noted above, the Company operates in a highly competitive global marketplace that is experiencing increased trade concentration and industry consolidation. In addition, changes in economic conditions, movements in commodity prices and foreign currency exchange rates can impact future operating results as measured in U.S. dollars. In particular, economic and political uncertainty in some countries in Latin America and changes in the value of Latin American and European currencies may impact the overall results of these regions. Historically, the consumer products industry has been less susceptible to changes in economic growth than many other industries. Over the long-term, the Company's continued focus on its consumer products business and the strength of its global brand names, its broad international presence in both developed and developing markets, and its strong capital base all position it to take advantage of growth opportunities and to increase profitability and shareholder value.

Cautionary Statement on Forward-Looking Statements

In this report we may make statements that constitute or contain "forward-looking" information as that term is defined in the Private Securities Litigation Reform Act of 1995 or by the Securities and Exchange Commission (SEC) in its rules, regulations and releases. Such statements may relate, for example, to sales or volume growth, earnings growth, financial goals, cost-reduction plans, estimated charges and savings associated with the 2004 Restructuring Program, and new product introductions among other matters. These statements are made on the basis of our views and assumptions as of the time the statements are made and we undertake no obligation to update these statements. We caution investors that any such forward-looking statements we make are not guarantees of future performance and that actual results may differ materially from anticipated results or expectations expressed in our forward-looking statements. For some of the factors that could impact our business and cause actual results to differ materially from forward-looking statements see Item 1A – Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2006 filed with the SEC on February 23, 2007.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Colgate-Palmolive Company:

We have completed integrated audits of Colgate-Palmolive Company's consolidated financial statements and of its internal control over financial reporting as of December 31, 2006, in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, retained earnings, comprehensive income and changes in capital accounts and cash flows present fairly, in all material respects, the financial position of Colgate-Palmolive Company and its subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

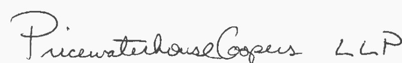
As disclosed in Note 2, the Company changed the manner in which it accounts for share-based payment upon adoption of the accounting guidance of Statement of Financial Accounting Standards No. 123(R) on January 1, 2006. In addition, as disclosed in Note 2, the Company changed the manner in which it accounts for defined benefit pension and other post retirement plans upon adoption of the accounting guidance of Statement of Financial Accounting Standards No. 158 on December 31, 2006.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that the Company maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



New York,
New York
February 22, 2007

Report of Management

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of its Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting in accordance with accounting principles generally accepted in the United States of America. Management evaluates the effectiveness of the Company's internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework. Management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 and concluded that it is effective.

The Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, has audited the effectiveness of the Company's internal control over financial reporting and management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, and has expressed unqualified opinions in their report which appears on page 30.

Management's Responsibility for Consolidated Financial Statements

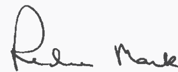
The management of Colgate-Palmolive Company is also responsible for the preparation and content of the accompanying consolidated financial statements as well as all other related information contained in this annual report. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts which are based on management's best estimates and judgments.

The consolidated financial statements included in this annual report have been audited by PricewaterhouseCoopers LLP and their report, in which they express their unqualified opinion on such financial statements, appears on page 30.

Audits

The Board of Directors engaged PricewaterhouseCoopers LLP to audit the effectiveness of the Company's internal control over financial reporting, management's assessment of the effectiveness of such internal controls over financial reporting as of December 31, 2006 and the consolidated financial statements for each of the three years ended December 31, 2006. Their report was based on an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States of America) and included tests of accounting records and system of internal control and such other procedures to enable them to render opinions on the effectiveness of the Company's internal control over financial reporting and management's assessment of the effectiveness of the Company's such internal control over financial reporting as of December 31, 2006 and on the Company's consolidated financial statements.

The Board of Directors has an Audit Committee comprised entirely of independent directors. The Committee meets periodically and independently throughout the year with management, internal auditors and the independent public accountants to discuss the Company's internal controls, auditing and financial reporting matters. The internal auditors and independent public accountants have unrestricted access to the Audit Committee.



Reuben Mark
Chairman and
Chief Executive Officer

Stephen C. Patrick
Chief Financial Officer

Dollars in Millions Except Per Share Amounts

Consolidated Statements of Income

For the years ended December 31,	2006	2005	2004
Net sales	$12,237.7	$11,396.9	$10,584.2
Cost of sales	5,536.1	5,191.9	4,747.2
Gross profit	6,701.6	6,205.0	5,837.0
Selling, general and administrative expenses	4,355.2	3,920.8	3,624.6
Other (income) expense, net	185.9	69.2	90.3
Operating profit	2,160.5	2,215.0	2,122.1
Interest expense, net	158.7	136.0	119.7
Income before income taxes	2,001.8	2,079.0	2,002.4
Provision for income taxes	648.4	727.6	675.3
Net income	$ 1,353.4	$ 1,351.4	$ 1,327.1
Earnings per common share, basic	$ 2.57	$ 2.54	$ 2.45
Earnings per common share, diluted	$ 2.46	$ 2.43	$ 2.33

See Notes to Consolidated Financial Statements.

Dollars in Millions Except Per Share Amounts

Consolidated Balance Sheets

As of December 31,	2006	2005
Assets		
Current Assets		
Cash and cash equivalents	$ 489.5	$ 340.7
Receivables (net of allowances of $46.4 and $41.7, respectively)	1,523.2	1,309.4
Inventories	1,008.4	855.8
Other current assets	279.9	251.2
Total current assets	3,301.0	2,757.1
Property, plant and equipment, net	2,696.1	2,544.1
Goodwill, net	2,081.8	1,845.7
Other intangible assets, net	831.1	783.2
Other assets	228.0	577.0
Total assets	$ 9,138.0	$ 8,507.1
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes and loans payable	$ 174.1	$ 171.5
Current portion of long-term debt	776.7	356.7
Accounts payable	1,039.7	876.1
Accrued income taxes	161.5	215.5
Other accruals	1,317.1	1,123.2
Total current liabilities	3,469.1	2,743.0
Long-term debt	2,720.4	2,918.0
Deferred income taxes	309.9	554.7
Other liabilities	1,227.7	941.3
Total liabilities	7,727.1	7,157.0
Commitments and contingent liabilities	—	—
Shareholders' Equity		
Preference stock	222.7	253.7
Common stock, $1 par value (1,000,000,000 shares authorized, 732,853,180 shares issued)	732.9	732.9
Additional paid-in capital	1,218.1	1,064.4
Retained earnings	9,643.7	8,968.1
Accumulated other comprehensive income	(2,081.2)	(1,804.7)
	9,736.2	9,214.4
Unearned compensation	(251.4)	(283.3)
Treasury stock, at cost	(8,073.9)	(7,581.0)
Total shareholders' equity	1,410.9	1,350.1
Total liabilities and shareholders' equity	$ 9,138.0	$ 8,507.1

See Notes to Consolidated Financial Statements.

Dollars in Millions Except Per Share Amounts

Consolidated Statements of Retained Earnings, Comprehensive Income and Changes in Capital Accounts

	Common Shares		Additional Paid-in Capital	Treasury Shares		Retained Earnings	Accumulated Other Comprehensive Income	Comprehensive Income
	Shares	Amount		Shares	Amount			
Balance, January 1, 2004	533,697,177	$732.9	$1,126.2	199,156,003	$(6,499.9)	$7,433.0	$(1,866.8)	
Net income						1,327.1		$1,327.1
Other comprehensive income:								
Cumulative translation adjustment							75.4	75.4
Minimum Pension liability adjustment, net of tax							(21.0)	(21.0)
Other							6.2	6.2
Total comprehensive income								$1,387.7
Dividends declared:								
Series B Convertible Preference Stock, net of taxes						(25.9)		
Common stock						(510.3)		
Shares issued for stock options	2,142,895		2.1	(2,142,895)	60.5			
Treasury stock acquired	(12,383,273)			12,383,273	(637.9)			
Other	3,168,259		(34.5)	(3,168,259)	111.9			
Balance, December 31, 2004	526,625,058	$732.9	$1,093.8	206,228,122	$(6,965.4)	$8,223.9	$(1,806.2)	
Net income						1,351.4		$1,351.4
Other comprehensive income:								
Cumulative translation adjustment							17.7	17.7
Minimum Pension liability adjustment, net of tax							(18.5)	(18.5)
Other							2.3	2.3
Total comprehensive income								$1,352.9
Dividends declared:								
Series B Convertible Preference Stock, net of taxes						(28.2)		
Common stock						(579.0)		
Shares issued for stock options	1,533,768		(4.8)	(1,533,768)	61.2			
Treasury stock acquired	(15,126,263)			15,126,263	(796.2)			
Other	3,1 38,394		(24.6)	(3,138,394)	119.4			
Balance, December 31, 2005	516,170,957	$732.9	$1,064.4	216,682,223	$(7,581.0)	$8,968.1	$(1,804.7)	
Net income						1,353.4		$1,353.4
Other comprehensive income:								
Cumulative translation adjustment							89.1	89.1
Adjustment to initially apply SFAS 158, net of taxes							(380.7)	
Minimum Pension liability adjustment, net of tax							19.2	19.2
Other							(4.1)	(4.1)
Total comprehensive income								$1,457.6
Dividends declared:								
Series B Convertible Preference Stock, net of taxes						(28.7)		
Common stock						(649.1)		
Stock-based compensation expense			116.9					
Shares issued for stock options	7,095,538		107.7	(7,095,538)	227.7			
Treasury stock acquired	(14,982,242)			14,982,242	(884.7)			
Other	4,374,334		(70.9)	(4,374,334)	164.1			
Balance, December 31, 2006	512 ,658,587	$732.9	$1,218.1	220,194,593	$(8,073.9)	$9,643.7	$(2,081.2)	

See Notes to Consolidated Financial Statements.

Dollars in Millions Except Per Share Amounts

Consolidated Statements of Cash Flows

For the years ended December 31,	2006	2005	2004
Operating Activities			
Net income	$ 1,353.4	$ 1,351.4	$ 1,327.1
Adjustments to reconcile net income to net cash provided by operations:			
Restructuring, net of cash	145.4	111.6	38.3
Depreciation and amortization	328.7	329.3	327.8
Gain before tax on sale of non-core product lines	(46.5)	(147.9)	(26.7)
Stock-based compensation expense	116.9	41.1	29.3
Cash effects of changes in:			
Receivables	(116.0)	(24.1)	(5.6)
Inventories	(118.5)	(46.8)	(76.1)
Accounts payable and other accruals	149.9	152.7	80.1
Other non-current assets and liabilities	8.2	17.1	60.1
Net cash provided by operations	1,821.5	1,784.4	1,754.3
Investing Activities			
Capital expenditures	(476.4)	(389.2)	(348.1)
Payment for acquisitions, net of cash acquired	(200.0)	(38.5)	(800.7)
Sale of non-core product lines	55.0	215.6	37.0
Purchases of marketable securities and investments	(1.2)	(20.0)	(127.7)
Proceeds from sales of marketable securities and investments	—	10.0	147.3
Other	2.2	1.4	1.8
Net cash used in investing activities	(620.4)	(220.7)	(1,090.4)
Financing Activities			
Principal payments on debt	(1,332.0)	(2,100.3)	(753.9)
Proceeds from issuance of debt	1,471.1	2,021.9	1,246.5
Payments to outside investors	—	(89.7)	—
Dividends paid	(677.8)	(607.2)	(536.2)
Purchases of treasury shares	(884.7)	(796.2)	(637.9)
Proceeds from exercise of stock options and excess tax benefits	364.4	47.1	70.4
Net cash used in financing activities	(1,059.0)	(1,524.4)	(611.1)
Effect of exchange rate changes on Cash and cash equivalents	6.7	(18.2)	1.5
Net increase in Cash and cash equivalents	148.8	21.1	54.3
Cash and cash equivalents at beginning of year	340.7	319.6	265.3
Cash and cash equivalents at end of year	$ 489.5	$ 340.7	$ 319.6
Supplemental Cash Flow Information			
Income taxes paid	$ 647.9	$ 584.3	$ 593.8
Interest paid	168.3	149.9	123.2
Principal payments on ESOP debt, guaranteed by the Company	45.0	37.0	29.8

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Nature of Operations

The Company manufactures and markets a wide variety of products in the U.S. and around the world in two distinct business segments: Oral, Personal and Home Care; and Pet Nutrition. Oral, Personal and Home Care products include toothpaste, oral rinses and toothbrushes, bar and liquid hand soaps, shower gels, shampoos, conditioners, deodorants and antiperspirants, shave products, laundry and dishwashing detergents, fabric conditioners, cleansers and cleaners, bleaches and other similar items. These products are sold primarily to wholesale and retail distributors worldwide. Pet Nutrition products include pet food products manufactured and marketed by Hill's Pet Nutrition. The principal customers for Pet Nutrition products are veterinarians and specialty pet retailers. Principal global and regional trademarks include Colgate, Palmolive, Mennen, Softsoap, Irish Spring, Protex, Sorriso, Kolynos, Elmex, Tom's of Maine, Ajax, Axion, Fabuloso, Soupline, Suavitel, Hill's Science Diet and Hill's Prescription Diet.

The Company's principal classes of products accounted for the following percentages of worldwide sales for the past three years:

	2006	2005	2004
Oral Care	38%	38%	35%
Home Care	25	26	28
Personal Care	23	23	23
Pet Nutrition	14	13	14
Total	100%	100%	100%

2. Summary of Significant Accounting Policies

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Colgate-Palmolive Company and its majority-owned subsidiaries. Intercompany transactions and balances have been eliminated. The Company's investments in consumer products companies with interests ranging between 20% and 50% are accounted for using the equity method. As of December 31, 2006 and 2005, equity method investments included in Other assets were $6.8 and $5.1, respectively. Investments with less than a 20% interest are accounted for using the cost method. Unrelated third parties hold the remaining ownership interest in these investments. Net income (loss) from such investments is recorded in Other (income) expense, net in the Consolidated Statements of Income.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to use judgment and make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent gains and losses at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The level of uncertainty in estimates and assumptions increases with the length of time until the underlying transactions are completed. As such, the most significant uncertainty in the Company's assumptions and estimates involved in preparing the financial statements includes pension and other retiree benefit cost assumptions, stock-based compensation, asset impairment, tax valuation allowances, and legal and other contingency reserves. Additionally, the Company uses available market information and other valuation methodologies in assessing the fair value of financial instruments. Judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, changes in assumptions or the estimation methodologies may affect the fair value estimates. Actual results could ultimately differ from those estimates.

Revenue Recognition

Sales are recorded at the time products are shipped to trade customers and when risk of ownership transfers. Net sales reflect units shipped at selling list prices reduced by sales returns and the cost of current and continuing promotional programs. Current promotional programs, such as product listing allowances and co-operative advertising arrangements, are recorded in the period incurred. Continuing promotional programs are predominantly consumer coupons and volume-based sales incentive arrangements with trade customers. The redemption cost of consumer coupons is based on historical redemption experience and is recorded when coupons are distributed. Volume-based incentives offered to trade customers are based on the estimated cost of the program and are recorded as products are sold.

Shipping and Handling Costs

Shipping and handling costs are classified as Selling, general and administrative expenses and were $942.7, $860.2 and $767.4 for the years ended December 31, 2006, 2005 and 2004, respectively.

Marketing Costs

The Company markets its products through advertising and other promotional activities. Advertising costs are included in Selling, general and administrative expenses and are expensed as incurred. Certain consumer and trade promotional programs, such as consumer coupons, are recorded as a reduction of sales.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market. The cost of approximately 80% of inventories is determined using the first-in, first-out (FIFO) method. The cost of all other inventories, predominantly in the U.S. and Mexico, is determined using the last-in, first-out (LIFO) method.

Property, Plant and Equipment
Land, buildings, and machinery and equipment are stated at cost. Depreciation is provided, primarily using the straight-line method, over estimated useful lives, ranging from 3 to 15 years for machinery and equipment and up to 40 years for buildings.

Goodwill and Other Intangibles
Goodwill and indefinite life intangible assets, such as the Company's global brands, are subject to annual impairment tests. These tests were performed and did not result in an impairment charge. Other intangible assets with finite lives, such as trademarks, local brands and non-compete agreements, are amortized over their useful lives, ranging from 5 to 40 years.

Income Taxes
The provision for income taxes is determined using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based upon the differences between the financial statements and tax bases of assets and liabilities using enacted tax rates that will be in effect at the time such differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Provision is made currently for taxes payable on remittances of overseas earnings; no provision is made for taxes on overseas retained earnings that are deemed to be permanently reinvested.

Financial Instruments
Derivative instruments are recorded as assets and liabilities at estimated fair value based on available market information. The Company's derivative instruments that qualify for hedge accounting are primarily designated as either fair value hedges or cash flow hedges. For fair value hedges, changes in fair value of the derivative, as well as the offsetting changes in fair value of the hedged item, are recognized in earnings each period. For cash flow hedges, changes in fair value of the derivative are recorded in other comprehensive income and are recognized in earnings when the offsetting effect of the hedged item is also recognized in earnings. Cash flows related to fair value hedges and cash flow hedges are classified in the same category as the cash flows from the hedged item in the Consolidated Statements of Cash Flows.

The Company may also enter into certain foreign currency and interest rate instruments that economically hedge certain of its risks but do not qualify for hedge accounting. Changes in fair value of these derivative instruments, based on quoted market prices, are recognized in earnings each period.

Stock-Based Compensation
Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 123 (Revised 2004), "Share-Based Payment" (SFAS 123R) using the modified prospective method and, as such, results for prior periods have not been restated. Prior to the adoption of SFAS 123R, stock option grants were accounted for in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and the Company adhered to the pro forma disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). SFAS 123R requires companies to recognize the cost of employee services received in exchange for awards of equity instruments, such as stock options and restricted stock, based on the fair value of those awards at the date of grant over the requisite service period. Prior to January 1, 2006, the value of restricted stock awards, based on market prices, was expensed by the Company over the restriction period, and no compensation expense was recognized for stock option grants as all such grants had an exercise price not less than fair market value on the date of grant.

The Company uses the Black-Scholes-Merton (Black-Scholes) option pricing model to determine the fair value of stock-option awards under SFAS 123R, which is consistent with the model used for the previous pro forma disclosure under SFAS 123.

Stock-based compensation plans, related expenses and assumptions used in the Black-Scholes option pricing model are more fully described in Note 8.

Translation of Overseas Currencies
The assets and liabilities of foreign subsidiaries, other than those operating in highly inflationary environments, are translated into U.S. dollars at year-end exchange rates, with resulting translation gains and losses accumulated in a separate component of shareholders' equity. Income and expense items are translated into U.S. dollars at average rates of exchange prevailing during the year.

For subsidiaries operating in highly inflationary environments, inventories, goodwill and property, plant and equipment are translated at the rate of exchange on the date the assets were acquired, while other assets and liabilities are translated at year-end exchange rates. Translation adjustments for these operations are included in Net income.

Recent Accounting Pronouncements
In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" (FIN 48), which prescribes accounting for and disclosure of uncertainty in tax positions. This interpretation defines the criteria that must be met for the benefits of a tax position to be recognized in the financial statements and the measurement of tax benefits recognized. The provisions of FIN 48 are effective as of the beginning of the Company's 2007 fiscal year, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company is currently finalizing its analysis of the impact on the Consolidated Financial Statements of adopting FIN 48 and believes that the impact, if any, will not be material.

In December 2006, the Company adopted SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (SFAS 158). SFAS 158 requires company plan sponsors to display the net over- or under-funded position of a defined benefit postretirement plan as an asset or liability, with any unrecognized prior service costs, transition obligations or actuarial gains/losses reported as a component of accumulated other comprehensive income in shareholders' equity. Retirement plans, other retiree benefits and the impact of adopting SFAS 158 are more fully described in Note 10.

Reclassifications
Certain prior year amounts have been reclassified to conform to the current year presentation.

3. Acquisitions and Divestitures

Acquisitions

On May 1, 2006, the Company completed the purchase of 84% of the outstanding shares of Tom's of Maine, Inc., for approximately $100 plus transaction costs. Tom's of Maine gives Colgate the opportunity to enter the fast growing health and specialty trade channel where Tom's of Maine toothpaste and deodorant are market leaders.

The cost to acquire Tom's of Maine, Inc. has been allocated on a preliminary basis to the assets acquired and the liabilities assumed at the date of acquisition based on estimated fair values as determined using an independent valuation.

The results of Tom's of Maine operations have been included in Colgate's North American operating segment in the Consolidated Financial Statements from the date of acquisition. The inclusion of pro forma financial data for Tom's of Maine prior to the date of acquisition would not have had a material impact on reported sales, net income and earnings per share for the years ended December 31, 2006, 2005 and 2004.

During 2006, the Company increased its ownership interests in its Poland and Romania subsidiaries to 100% at a cost of approximately $95. During 2005, the Company increased its ownership interests in certain subsidiaries to 100% at a cost of $38.5, primarily related to its Malaysia subsidiary.

On June 1, 2004, the Company purchased 100% of the outstanding shares of GABA Holding AG (GABA), a privately owned European oral care company headquartered in Switzerland. The cost of GABA, net of cash acquired, was approximately $729 plus acquisition costs. The results of GABA's operations have been included in the Company's Europe/South Pacific segment in the Consolidated Financial Statements since the date of acquisition. The aggregate purchase price for all other acquisitions in 2004 was approximately $60.

Divestitures

Consistent with the Company's strategy to prioritize higher margin businesses, during 2006 the Company announced its agreement to sell its Latin American and Canadian bleach brands for approximately $126 plus inventory at cost. The transaction includes the sale of the bleach brands Javex, Agua Jane and Nevex in Canada, Uruguay and Venezuela, respectively, and the license of the Ajax brand for bleach during a transition period in Colombia, the Dominican Republic and Ecuador.

The transaction closed in Canada during the fourth quarter of 2006, with proceeds of $55.0 and a pretax gain of $46.5 ($38.2 aftertax) included in Other (income) expense, net. These operations were not material to the Company's annual Net sales. In the Latin American countries, the transaction is expected to close during the first quarter of 2007 with the exception of the Colombian business, which is subject to regulatory approval and therefore expected to close during the second quarter of 2007.

During 2005, the Company sold its North American and Southeast Asian heavy-duty laundry detergent businesses. These operations accounted for less than 2% of the Company's annual Net sales. The aggregate proceeds from these sales were $215.6, resulting in a pretax gain of $147.9 ($93.5 aftertax) included in Other (income) expense, net.

During 2004, the Company sold its detergent businesses in Ecuador and Peru resulting in a pretax gain of $26.7 included in Other (income) expense, net for the year ended December 31, 2004.

4. Restructuring Activities

In December 2004, the Company commenced a four-year restructuring and business-building program (the 2004 Restructuring Program) to enhance the Company's global leadership position in its core businesses. As part of this program the Company anticipates the rationalization of approximately one-third of the Company's manufacturing facilities, closure of certain warehousing facilities and an estimated 12% workforce reduction. The cost of implementing the 2004 Restructuring Program is estimated to result in cumulative pretax charges, once all the phases are approved and implemented, totaling between $750 and $900 ($550 and $650 aftertax).

For the years ended December 31, 2006, 2005 and 2004 restructuring and implementation related charges are reflected in the following income statement categories:

	2006	2005	2004
Cost of sales	$196.2	$100.2	$ 3.4
Selling, general and administrative expense	46.1	1.8	—
Other (income) expense, net	153.1	80.8	65.3
Total 2004 Restructuring Program charges pretax	$395.4	$182.8	$68.7
Total 2004 Restructuring Program charges aftertax	$286.3	$145.1	$48.0

Restructuring charges, in the preceding table, are recorded in the Corporate segment as these decisions are corporate-driven and are not included in internal measures of segment operating performance.

Total 2006 charges relate to restructuring activities in North America (45%), Europe/South Pacific (19%), Latin America (4%), Greater Asia/Africa (7%), Pet Nutrition (1%) and Corporate (24%). Total program-to-date accumulated charges relate to restructuring activities in North America (39%), Europe/South Pacific (32%), Latin America (4%), Greater Asia/Africa (7%), Pet Nutrition (1%) and Corporate (17%). Since the inception of the 2004 Restructuring Program in December 2004, the Company has incurred total charges of $646.9 ($479.4 aftertax) in connection with the implementation of various projects.

The majority of costs incurred since inception relate to the following significant projects: the voluntary early retirement program in the U.S.; the announced closing of the Jeffersonville, Indiana oral care facility; the consolidation of toothpaste production in Europe; and exiting certain manufacturing activities in other categories in Portugal, Belgium, Denmark, Canada and Kansas City, Kansas.

The following table summarizes the activity for the restructuring charges discussed above and related accrual:

	Termination Benefits	Incremental Depreciation	Asset Impairments	Other	Total
Charges	$ 41.6	$ 3.3	$ 22.0	$ 1.8	$ 68.7
Cash payments	(1.4)	—	—	(1.4)	(2.8)
Charges against assets	—	(3.3)	(22.0)	—	(25.3)
Foreign exchange	1.5	—	—	—	1.5
Balance at December 31, 2004	$ 41.7	$ —	$ —	$ 0.4	$ 42.1
Charges	58.6	65.3	30.2	28.7	182.8
Cash payments	(47.8)	—	—	(23.4)	(71.2)
Charges against assets	(11.4)	(65.3)	(30.2)	(6.4)	(113.3)
Other	(1.4)	—	—	4.2	2.8
Foreign exchange	(4.4)	—	—	(0.1)	(4.5)
Balance at December 31, 2005	$ 35.3	$ —	$ —	$ 3.4	$ 38.7
Charges	212.7	91.5	6.6	84.6	395.4
Cash payments	(89.7)	—	—	(75.3)	(165.0)
Charges against assets	(98.4)	(91.5)	(6.6)	(6.7)	(203.2)
Other	(10.0)	—	—	5.2	(4.8)
Foreign exchange	3.5	—	—	0.1	3.6
Balance at December 31, 2006	$ 53.4	$ —	$ —	$ 11.3	$ 64.7

Termination benefits are calculated based on long-standing benefit practices, local statutory requirements and, in certain cases, voluntary termination arrangements. Termination benefits incurred pursuant to the 2004 Restructuring Program include pension and other retiree benefit enhancements of $108.4 and $12.8 as of December 31, 2006 and 2005, respectively, and are reflected as Charges against assets and Other charges within Termination Benefits in the preceding table, as the corresponding balance sheet amounts are reflected as a reduction of pension assets and an increase to other retiree benefit liabilities, respectively. During 2006 the Company made an $85.0 voluntary contribution to partially fund this obligation. The Company anticipates that it will make incremental cash contributions to its plans in order to fund these pension obligations over the duration of the 2004 Restructuring Program.

Incremental depreciation was recorded to reflect changes in useful lives and estimated residual values for long-lived assets that will be taken out of service prior to the end of their normal service period. Asset impairments have been recorded to write down assets held for sale or disposal to their fair value based on amounts expected to be realized.

5. Goodwill and Other Intangible Assets

The net carrying value of Goodwill as of December 31, 2006 and 2005 by segment is as follows:

	2006	2005
Oral, Personal and Home Care		
North America	$ 345.8	$ 276.6
Latin America	568.1	539.1
Europe/South Pacific	980.2	847.4
Greater Asia/Africa	172.7	167.6
Total Oral, Personal and Home Care	2,066.8	1,830.7
Pet Nutrition	15.0	15.0
Total Goodwill	$2,081.8	$1,845.7

Other intangible assets as of December 31, 2006 and 2005 are comprised of the following:

	2006			2005		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Trademarks	$435.3	$(155.8)	$279.5	$418.5	$(158.2)	$260.3
Other finite life intangible assets	26.6	(8.1)	18.5	11.9	(10.6)	1.3
Indefinite life intangible assets	533.1	—	533.1	521.6	—	521.6
Total Other intangible assets	$995.0	$(163.9)	$831.1	$952.0	$(168.8)	$783.2

The changes in the net carrying amounts of Goodwill and Other intangible assets during 2006 are mainly due to the acquisition of Tom's of Maine, the increased ownership in the Company's Poland and Romania subsidiaries to 100% and the impact of foreign currency translation adjustments.

Amortization expense of the above trademarks and other finite life intangible assets was $16.3 for the year ended December 31, 2006. Annual estimated amortization expense for each of the next five years is expected to approximate $17.

6. Long-Term Debt and Credit Facilities

Long-term debt consists of the following at December 31:

	Weighted Average Interest Rate	Maturities	2006	2005
Notes	6.0%	2007–2078	$1,931.4	$1,824.5
Payable to banks	4.7%	2007–2009	688.7	555.7
ESOP notes, guaranteed by the Company	8.8%	2007–2009	192.1	237.1
Commercial paper	4.2%	2007	651.6	621.8
Capitalized leases			33.3	35.6
			3,497.1	3,274.7
Less: Current portion of long-term debt			776.7	356.7
Total			$2,720.4	$2,918.0

Commercial paper and certain current maturities of notes payable totaling $674.0 and $641.9 as of December 31, 2006 and 2005, respectively, are classified as long-term debt as the Company has the intent and ability to refinance such obligations on a long-term basis. Excluding commercial paper and certain current maturities of notes payable reclassified as long-term debt, scheduled maturities of long-term debt and capitalized leases outstanding as of December 31, 2006, are as follows:

Years Ended December 31,	
2007	$ 776.7
2008	164.1
2009	232.2
2010	296.4
2011	26.6
Thereafter	1,327.1

The Company has entered into interest rate swap agreements and foreign exchange contracts related to certain of these debt instruments (see Note 7).

At December 31, 2006, the Company had unused credit facilities amounting to approximately $2,500 and also had $1,417.2 of medium-term notes available for issuance pursuant to effective shelf registration statements. The Company's domestic lines of credit include a five-year revolving credit facility of $1,500.0 with a syndicate of banks, which was extended an additional year in the fourth quarter of 2006 and now expires in November 2011. Commitment fees related to credit facilities are not material. The weighted average interest rate on short-term borrowings, included in Notes and loans payable in the Consolidated Balance Sheets, as of December 31, 2006 and 2005, was 5.2% and 4.0%, respectively.

The ESOP notes guaranteed by the Company and certain credit facilities contain cross-default provisions. Noncompliance with these requirements could ultimately result in the acceleration of amounts owed. The Company is in full compliance with all such requirements and believes the likelihood of noncompliance is remote.

7. Fair Value of Financial Instruments

The Company uses available market information and other valuation methodologies in assessing the fair value of financial instruments. Judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, changes in assumptions or the estimation methodologies may affect the fair value estimates.

Derivative Instruments

Following are the notional amounts and net recorded fair values of the Company's derivative instruments:

	2006		2005	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate swap contracts	$ 239.1	$ 2.2	$138.0	$4.8
Foreign currency contracts	1,269.3	(14.5)	875.0	3.6

The Company utilizes interest rate swap contracts to manage its targeted mix of fixed and floating rate debt. Forward and swap contracts are utilized to hedge a portion of the Company's foreign currency purchases and assets and liabilities created in the normal course of business. Forward contracts used in hedging forecasted foreign currency purchases have durations no greater than 18 months. It is the Company's policy to enter into derivative instruments with terms that match the underlying exposure being hedged. As such, the Company's derivative instruments are considered highly effective and the net gain or loss from hedge ineffectiveness was not material.

Cumulative losses related to foreign currency contracts designated as cash flow hedges which are expected to be recognized in earnings over the next 12 months, when the offsetting effects of the hedged item are also recorded in earnings, are not material.

Other Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivables, marketable securities, long-term investments and short-term debt approximated fair value as of December 31, 2006 and 2005. The estimated fair value of the Company's long-term debt, including current portion, as of December 31, 2006 and 2005, was $3,584.5 and $3,161.1, respectively, and the related carrying value was $3,497.1 and $3,274.7, respectively.

Credit Risk

The Company is exposed to credit loss in the event of nonperformance by counterparties to the financial instrument contracts held by the Company; however, nonperformance by these counterparties is considered remote as it is the Company's policy to contract with diversified counterparties that have a long-term debt rating of AA–/Aa3 or higher.

8. Capital Stock and Stock-Based Compensation Plans

Preference Stock

In 1988, the Company authorized the issuance of 50,000,000 shares of Series B Convertible Preference Stock (the Preference Stock), without par value. Each share of Preference Stock is convertible into eight shares of common stock. As of December 31, 2006 and 2005, there were 3,426,737 and 3,902,988 shares of Preference Stock, respectively, outstanding and issued to the Company's Employee Stock Ownership Plan.

Stock Repurchases

The Company repurchased stock at a cost of $884.7 during 2006. The Company repurchases its common stock under a share repurchase program that was approved by the Board of Directors and publicly announced in March 2006 (the 2006 Program). Under the 2006 Program, the Company is authorized to purchase up to 30 million shares of the Company's common stock. The shares will

be repurchased from time to time in open market transactions or privately negotiated transactions at the Company's discretion, subject to market conditions, customary blackout periods and other factors. The Board's authorization also authorizes share repurchases on an ongoing basis associated with certain employee elections under the Company's compensation and benefit programs.

The Company may use either authorized and unissued shares or treasury shares to meet share requirements resulting from the exercise of stock options and vesting of restricted stock awards.

Prior to the Board's approval of the 2006 Program, the Company purchased its shares under a program that was approved by the Board of Directors and publicly announced in October 2004 (the 2004 Program). Under the 2004 Program, the Company was authorized to purchase up to 20 million shares of the Company's common stock.

Stock-Based Compensation

Effective January 1, 2006, the Company adopted SFAS 123R using the modified prospective method and, as such, results for prior periods have not been restated. Prior to the adoption of SFAS 123R, stock option grants were accounted for in accordance with APB 25 and the Company adhered to the pro forma disclosure provisions of SFAS 123. Prior to January 1, 2006, the value of restricted stock awards, based on market prices, was expensed by the Company over the restriction period, and no compensation expense was recognized for stock option grants as all such grants had an exercise price not less than fair market value on the date of grant.

SFAS 123R requires companies to recognize the cost of employee services received in exchange for awards of equity instruments, such as stock options and restricted stock, based on the fair value of those awards at the date of grant. The value of restricted stock awards, based on market prices, is amortized on a straight-line basis over the requisite service period. The estimated fair value of stock options on the date of grant is amortized on a straight-line basis over the requisite service period for each separately vesting portion of the award.

SFAS 123R also requires that new awards to employees eligible for retirement prior to the award becoming fully vested be recognized as compensation cost over the period through the date that the employee first becomes eligible to retire and is no longer required to provide service to earn the award. The Company's stock options and restricted stock awards granted to eligible participants prior to the adoption of SFAS 123R that had an accelerated vesting feature associated with employee retirement continue to be recognized, as required, as compensation cost over the vesting period except in the instance of the participants' actual retirement.

The Company has two stock-based compensation plans, which are described below. The total stock-based compensation expense charged against pretax income for these plans was $116.9, $41.1 and $29.3 for the years ended December, 31, 2006, 2005 and 2004, respectively. As a result of adopting SFAS 123R on January 1, 2006, incremental stock-based compensation expense recognized for the year ended December 31, 2006 was $69.8 ($48.1 aftertax), which impacted diluted earnings per share by approximately $0.09.

Stock-based compensation expense is recorded within Selling, general and administrative expense in the Corporate segment as these amounts are not included in internal measures of segment operating performance.

The following illustrates the effect on Net income and Earnings per share if the Company had applied the fair value method of SFAS 123 prior to January 1, 2006:

	2005	2004
Net income, as reported	$1,351.4	$1,327.1
Less: pro forma stock option compensation expense, net of tax	42.9	42.3
Pro forma net income	$1,308.5	$1,284.8
Earnings per share:		
Basic – as reported	$ 2.54	$ 2.45
Basic – pro forma	2.46	2.37
Diluted – as reported	2.43	2.33
Diluted – pro forma	2.35	2.26

The Company uses the Black-Scholes option pricing model to determine the fair value of stock-option awards under SFAS 123R, which is consistent with the model used for the previous pro forma disclosure under SFAS 123. The weighted average estimated fair value of stock options granted in the year ended December 31, 2006, 2005 and 2004 was $10.30, $9.59 and $12.48, respectively. Fair value is estimated using the Black-Scholes option pricing model with the assumptions summarized in the following table:

	2006	2005	2004
Expected term of options	4 years	4 years	5 years
Expected Volatility Rate	17%	20%	26%
Risk-Free Rate	4.8%	4.0%	3.3%
Expected Dividend Yield	2.1%	2.0%	2.0%

The weighted average expected option term reflects the application of the simplified method set out in Staff Accounting Bulletin No. 107 issued by the Securities and Exchange Commission, which defines the term as the average of the contractual term of the options and the weighted average vesting period for all option tranches. Similarly, expected volatility incorporates implied share-price volatility derived from exchange traded options on the Company's common stock. Prior to 2006, such assumptions were determined based on historical data. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury implied yield at the time of grant.

The Company elected to use the transition guidance for calculating the opening pool of windfall tax benefits as prescribed in SFAS 123R effective January, 1, 2006 instead of the alternative transition method as prescribed in FAS 123(R)-3, "Transition Election to Accounting for the Tax Effects of Share-Based Payments Awards".

Incentive Stock Plan

The Company has a plan that provides for grants of restricted stock awards for officers and other employees of the Company and its major subsidiaries. A committee of independent members of the Board of Directors administers the plan. The awarded shares are made in common stock and vest at the end of the restriction period, which is generally three years.

Restricted stock award activity for the year ended December 31, 2006 is summarized below:

	Shares (in thousands)	Weighted Average Grant Date Fair Value Per Award
Restricted stock awards as of January 1	2,949	$53
Activity:		
Granted	779	59
Vested	(538)	53
Forfeited	(74)	53
Restricted stock awards as of December 31	3,116	$55

As of December 31, 2006, there was $59.7 of total unrecognized compensation expense related to nonvested restricted stock awards, which will be recognized over a weighted-average period of 1.9 years. The total fair value of shares vested during the years ended December 31, 2006, 2005 and 2004 was $28.2, $28.3 and $41.6, respectively.

Stock Option Plans

The Company's Stock Option Plans provide for the issuance of non-qualified stock options to officers and other employees that have a contractual term of six years and generally vest over three years. As of December 31, 2006, approximately 31,551,000 shares of common stock were available for future stock option grants.

A summary of stock option plan activity as of December 31, 2006 is presented below:

	Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Value of Unexercised In-The-Money Options
Options outstanding, January 1	41,775	$52		
Granted	4,331	61		
Exercised	(7,413)	50		
Forfeited or expired	(741)	57		
Options outstanding, December 31	37,952	54	3	$430
Options exercisable, December 31	28,905	$53	3	$358

As of December 31, 2006, there was $41.3 of total unrecognized compensation expense related to options, which will be recognized over a weighted-average period of 1.3 years. The total value of options exercised during the years ended December 31, 2006, 2005 and 2004 was $78.2, $34.2 and $48.6, respectively.

Prior to the adoption of SFAS 123R, the Company presented the benefit of all tax deductions resulting from the exercise of stock options and vesting of restricted stock awards as operating cash flows in the Consolidated Statements of Cash Flows. As a result of adopting SFAS 123R, the benefits of tax deductions in excess of grant-date fair value of $10.4 were reported as a financing cash flow rather than as an operating cash flow in 2006. Cash proceeds received from options exercised for the year ended December 31, 2006 and 2005 were $354.0 and $47.1, respectively. The total income tax benefit recognized was approximately $38.2, $14.4 and $10.3 for the years ended December 31, 2006, 2005 and 2004, respectively.

9. Employee Stock Ownership Plan

In 1989, the Company expanded its Employee Stock Ownership Plan (ESOP) through the introduction of a leveraged ESOP that funds certain benefits for employees who have met eligibility requirements. The ESOP issued $410.0 of long-term notes due through 2009 bearing an average interest rate of 8.7%. The remaining balance of the long-term notes, which are guaranteed by the Company, is reflected in the accompanying Consolidated Balance Sheets. The ESOP used the proceeds of the notes to purchase 6.3 million shares of Preference Stock from the Company. The Preference Stock, which is convertible into eight shares of common stock, has a minimum redemption price of $65 per share and pays semiannual dividends equal to the higher of $2.44 or the current dividend paid on eight common shares for the comparable six-month period. During 2000, the ESOP entered into a loan agreement with the Company under which the benefits of the ESOP may be extended through 2035.

Dividends on the Preference Stock, as well as on the common shares also held by the ESOP, are paid to the ESOP trust and, together with cash contributions and advances from the Company, are used by the ESOP to repay principal and interest on the outstanding notes. Preference Stock is released for allocation to participants based upon the ratio of the current year's debt service to the sum of total principal and interest payments over the life of the loans. As of December 31, 2006, 1,452,030 shares were released and allocated to participant accounts and 1,974,707 shares were available for future allocation.

Dividends on the Preference Stock are deductible for income tax purposes and, accordingly, are reflected net of their tax benefit in the Consolidated Statements of Retained Earnings, Comprehensive Income and Changes in Capital Accounts.

Annual expense related to the leveraged ESOP, determined as interest incurred on the original notes, plus the higher of either principal payments or the historical cost of Preference Stock allocated, less dividends received on the shares held by the ESOP and advances from the Company, was $14.1 in 2006, $11.9 in 2005 and $14.9 in 2004. Unearned compensation, which is shown as a reduction in shareholders' equity, represents the amount of ESOP debt outstanding reduced by the difference between the cumulative cost of Preference Stock allocated and the cumulative principal payments.

Interest incurred on the ESOP's notes was $17.9 in 2006, $21.7 in 2005 and $24.7 in 2004. The Company paid dividends on the shares held by the ESOP of $37.0 in 2006, $36.9 in 2005 and $34.4 in 2004. Company contributions to the ESOP were $14.1 in 2006, $11.9 in 2005 and $14.5 in 2004.

10. Retirement Plans and Other Retiree Benefits

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (SFAS 158). SFAS 158 requires company plan sponsors to record the net over- or under-funded position of a defined benefit postretirement plan as an asset or liability, with any unrecognized prior service costs, transition obligations or actuarial gains/losses reported as a component of Accumulated other comprehensive income in shareholders' equity. The provisions of SFAS 158 are effective for fiscal years ending after December 15, 2006. Summarized information for the Company's December 31, 2006 implementation of SFAS 158 for defined benefit and other retiree benefit plans are as follows:

	Balance, Pre-SFAS 158 & without AML adjustment	2006 AML adjustment	SFAS 158 adoption adjustment	Ending Balance
Amounts Recognized in Balance Sheet				
Noncurrent assets	$ 388.0	$ —	$(316.9)	$ 71.1
Current liabilities	—	—	(44.3)	(44.3)
Noncurrent liabilities	(739.2)	27.9	(257.1)	(968.4)
Accumulated other comprehensive income adjustment, net of tax*	116.1	(19.2)	380.7	477.6
Deferred tax assets	62.4	(8.7)	237.6	291.3

*The SFAS 158 adoption adjustment of $380.7, net of tax includes a cumulative translation adjustment of $10.3.

Retirement Plans

The Company, its U.S. subsidiaries and some of its overseas subsidiaries maintain defined benefit retirement plans covering substantially all of their employees. Benefits are based primarily on years of service and employees' career earnings. In the Company's principal U.S. plans, funds are contributed to the trusts in accordance with regulatory limits to provide for current service and for any unfunded projected benefit obligation over a reasonable period. Assets of the plans consist principally of common stocks, guaranteed investment contracts with insurance companies, U.S. government and corporate obligations and investments in real estate funds. The asset allocation for the Company's defined benefit plans at the end of 2006 and 2005 and the target allocation by asset category are as follows:

	United States			International		
	Target	2006 Actual	2005 Actual	Target	2006 Actual	2005 Actual
Asset Category						
Equity securities	63%	66%	63%	50%	52%	50%
Debt securities	33	30	33	45	43	43
Real estate and other	4	4	4	5	5	7
Total	100%	100%	100%	100%	100%	100%

Equity securities in the U.S. plans include investments in the Company's common stock representing 8% of U.S. plan assets at December 31, 2006 and 7% of plan assets at December 31, 2005. Such plans purchased approximately 59,200 shares in 2006 using the proceeds from dividends on previously purchased Company stock. No shares were sold in 2006. Such plans sold approximately 9,500 shares in 2005. No shares were purchased in 2005. The plans received dividends on the Company's common stock of approximately $2 in both 2006 and 2005.

The overall investment objective is to balance risk and return so that obligations to employees are met. The Company evaluates its long-term rate of return on plan assets on an annual basis. In determining the long-term rate of return, the Company considers the nature of the plans' investments, an expectation for the plans' investment strategies and the historical rates of return. The assumed rate of return for 2006 for the U.S. plans was 8%. Historical rates of return for the U.S. plans for the most recent 15-year period were 9%. Similar assessments were performed in determining rates of returns on international pension plan assets to arrive at the Company's current weighted average rate of return of 6.9%.

Other Retiree Benefits

The Company and certain of its subsidiaries provide health care and life insurance benefits for retired employees to the extent not provided by government-sponsored plans. The Company utilizes a portion of its leveraged ESOP to reduce its obligation to provide these other retiree benefits and to offset its current service cost. Additionally, during 2006 and 2005 the Company made contributions of $7.6 and $5.6, respectively, to fund the payment of future postretirement medical benefits, the maximum permitted under U.S. tax regulations.

The Company uses a December 31 measurement date for its defined benefit and other retiree benefit plans. Summarized information for the Company's defined benefit and other retiree benefit plans are as follows:

	Pension Benefits				Other Retiree Benefits	
	2006	2005	2006	2005	2006	2005
	United States		International			
Change in Benefit Obligations						
Benefit obligations at beginning of year	$1,462.4	$1,368.3	$ 658.8	$ 675.8	$ 413.0	$ 332.9
Service cost (income)	45.2	47.4	21.1	20.0	(1.9)	(3.6)
Interest cost	83.4	76.1	32.1	33.3	28.7	26.4
Participants' contributions	2.3	2.6	3.1	3.6	—	—
Acquisitions/plan amendments	36.7	2.6	(2.3)	—	—	10.2
Actuarial loss (gain)	(36.7)	83.4	(7.1)	49.4	30.9	63.7
Foreign exchange impact	—	—	60.6	(62.5)	(0.9)	(0.8)
Termination benefits	100.9	11.4	0.2	—	6.5	1.4
Curtailments and settlements	—	(34.0)	(13.8)	(27.7)	—	(0.1)
Benefit payments	(112.2)	(95.4)	(32.3)	(33.1)	(16.3)	(17.1)
Benefit obligations at end of year	$1,582.0	$1,462.4	$ 720.4	$ 658.8	$ 460.0	$ 413.0
Change in Plan Assets						
Fair value of plan assets at beginning of year	$1,236.8	$1,148.2	$ 355.8	$ 360.0	$ 12.2	$ 5.5
Actual return on plan assets	153.2	92.4	25.1	41.8	2.8	1.1
Company contributions	113.6	123.0	36.4	41.6	23.9	22.7
Participants' contributions	2.3	2.6	3.1	3.6	—	—
Foreign exchange impact	—	—	28.8	(33.0)	—	—
Settlements	—	(34.0)	(12.4)	(25.1)	—	—
Benefit payments	(112.2)	(95.4)	(32.3)	(33.1)	(16.3)	(17.1)
Fair value of plan assets at end of year	$1,393.7	$1,236.8	$ 404.5	$ 355.8	$ 22.6	$ 12.2
Funded Status						
Funded status at end of year	$ (188.3)	$ (225.6)	$(315.9)	$(303.0)	$(437.4)	$(400.8)
Unrecognized net actuarial loss	—	470.8	—	150.8	—	198.8
Unrecognized transition/prior service costs	—	9.7	—	10.0	—	1.5
Net amount recognized	$ (188.3)	$ 254.9	$(315.9)	$(142.2)	$(437.4)	$(200.5)
Amounts Recognized in Balance Sheet						
Noncurrent assets	$ 65.6	$ 400.0	$ 5.5	$ 14.4	$ —	$ —
Current liabilities	(14.2)	—	(11.5)	—	(18.6)	—
Noncurrent liabilities	(239.7)	(224.7)	(309.9)	(245.2)	(418.8)	(200.5)
Accumulated other comprehensive income	—	79.6	—	88.6	—	—
Net amount recognized	$ (188.3)	$ 254.9	$(315.9)	$(142.2)	$(437.4)	$(200.5)
Amounts recognized in accumulated other comprehensive income consist of						
Actuarial loss	$ 355.4	$ —	$ 145.5	$ —	$ 216.4	$ —
Transition/prior service cost	41.5	—	8.8	—	1.3	—
Additional minimum pension liability	—	79.6	—	88.6	—	—
	$ 396.9	$ 79.6	$ 154.3	$ 88.6	$ 217.7	$ —
Accumulated benefit obligation	$1,502.0	$1,381.1	$ 625.2	$ 572.5	$ —	$ —
Weighted Average Assumptions Used to Determine Benefit Obligations						
Discount rate	5.80%	5.50%	4.82%	4.83%	5.80%	5.50%
Long-term rate of return on plan assets	8.00%	8.00%	6.70%	6.92%	8.00%	8.00%
Long-term rate of compensation increase	4.00%	4.00%	3.41%	3.42%	—	—
ESOP growth rate	—	—	—	—	10.00%	10.00%

Plans with projected benefit obligations in excess of plan assets and plans with accumulated benefit obligations in excess of plan assets as of December 31 consist of the following:

	Years Ended December 31,	
	2006	2005
Benefit Obligation Exceeds Fair Value of Plan Assets		
Projected benefit obligation	$1,045.4	$958.0
Fair value of plan assets	470.0	387.4
Accumulated benefit obligation	757.1	696.2
Fair value of plan assets	281.7	236.0

These amounts represent non-qualified U.S. plans and certain plans at foreign locations that are primarily unfunded.

The medical cost trend rate of increase assumed in measuring the expected cost of benefits is projected to decrease ratably from 10% in 2007 to 5% in 2012 and will remain at 5% for the years thereafter. Changes in this rate can have a significant effect on amounts reported. The effect of a 1% change in the assumed medical cost trend rate would have the following effect:

	One percentage point	
	Increase	Decrease
Accumulated postretirement benefit obligation	$80	$(65)
Annual expense	7	(6)

Summarized information regarding the net periodic benefit costs for the Company's defined benefit and other retiree benefit plans are as follows:

	Pension Benefits						Other Retiree Benefits		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
	United States			International					
Components of Net Periodic Benefit Cost									
Service cost	$ 45.2	$ 47.4	$ 43.8	$ 21.1	$ 20.0	$ 18.0	$ 11.9	$ 10.3	$ 8.7
Interest cost	83.4	76.1	75.7	32.1	33.3	31.5	28.7	26.4	22.7
Annual ESOP allocation	—	—	—	—	—	—	(13.8)	(13.9)	(13.0)
Expected return on plan assets	(98.9)	(90.0)	(83.4)	(25.0)	(23.7)	(21.3)	(1.3)	(0.8)	—
Amortization of transition & prior service costs (credits)	4.1	4.8	3.3	1.5	1.3	1.3	—	(0.4)	(1.0)
Amortization of actuarial loss	24.4	26.6	24.2	7.9	6.6	5.2	12.3	9.5	4.5
Net periodic benefit cost	$ 58.2	$ 64.9	$ 63.6	$ 37.6	$ 37.5	$ 34.7	$ 37.8	$ 31.1	$ 21.9
Other postretirement charges	101.7	25.6	—	1.1	12.6	—	6.5	10.7	—
Total pension cost	$159.9	$ 90.5	$ 63.6	$ 38.7	$ 50.1	$ 34.7	$ 44.3	$ 41.8	$ 21.9
Weighted Average Assumptions Used to Determine Net Periodic Benefit Cost									
Discount rate	5.50%	5.75%	6.25%	4.83%	5.53%	6.03%	5.50%	5.75%	6.25%
Long-term rate of return on plan assets	8.00%	8.00%	8.00%	6.92%	7.50%	8.10%	8.00%	8.00%	—
Long-term rate of compensation increase	4.00%	4.00%	4.25%	3.42%	3.63%	3.79%	—	—	—
ESOP growth rate	—	—	—	—	—	—	10.00%	10.00%	10.00%

Other postretirement charges amounted to $109.3 and $48.9 for the years ended December 31, 2006 and 2005, respectively. Charges in 2006 relating to certain one-time termination benefits incurred pursuant to the 2004 Restructuring Program amounted to $107.6. During 2006, the Company made voluntary contributions of $111.0 (including $85.0 related to restructuring) to its U.S. postretirement plans. Other 2006 charges required by SFAS No. 88, "Employers' Accounting for Settlement and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" (SFAS 88) amounted to $1.7, including $0.8 pertaining to a curtailment resulting from the 2004 Restructuring Program.

Charges in 2005 relating to certain one-time termination benefits incurred pursuant to the 2004 Restructuring Program amounted to $12.8. Additionally, other postretirement charges in 2005 included a non-cash charge of $9.2 associated with an international postretirement obligation and other 2005 charges required by SFAS 88 amounted to $26.9. Other SFAS 88 charges included the conversion of one of the Company's international pension plans to a defined contribution plan for all eligible participants for $10.6 and a lump sum payment of normal retirement benefits associated with a retirement plan in the U.S. for $14.2.

Termination benefits incurred pursuant to the 2004 Restructuring Program in 2006 and 2005 are reflected as a restructuring charge however the related accrual resides in pension and other retiree benefit liabilities at December 31, 2006 and 2005, respectively.

The estimated actuarial loss and the estimated transition/prior service cost for defined benefit and other retiree benefit plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is as follows:

	Pension Benefits	Other Retiree Benefits
Actuarial loss	$24.5	$11.5
Transition & prior service cost	$ 6.8	—

Expected Contributions & Benefit Payments

Management's best estimate of cash requirements to be paid directly from the Company's assets for its postretirement plans for the year ending December 31, 2007 is approximately $107, including approximately $18 for other retiree benefit plans. These estimated cash requirements include approximately $50 of projected contributions to the Company's postretirement plans and approximately $57 of projected benefit payments made directly to participants of unfunded plans. Expected contributions are dependent on many variables, including the variability of the market value of the assets as compared to the obligation and other market or regulatory conditions. Accordingly, actual funding may differ from current estimates.

Total benefit payments expected to be paid to participants, which include payments directly from the Company's assets to participants of unfunded plans, as discussed above, as well as payments paid from the plans are as follows:

Years Ended December 31,	Pension Benefits United States	Pension Benefits International	Other Retiree Benefits
2007	$139.3	$ 34.5	$ 18.2
2008	113.7	35.1	21.3
2009	112.3	35.8	27.2
2010	113.2	51.4	27.2
2011	114.4	44.6	28.8
2012–2016	631.5	218.3	149.6

11. Income Taxes

The components of income before income taxes are as follows for the three years ended December 31:

	2006	2005	2004
United States	$ 584.9	$ 893.2	$ 846.6
International	1,416.9	1,185.8	1,155.8
Total	$2,001.8	$2,079.0	$2,002.4

The provision for income taxes consists of the following for the three years ended December 31:

	2006	2005	2004
United States	$202.7	$333.2	$271.8
International	445.7	394.4	403.5
Total	$648.4	$727.6	$675.3

Temporary differences between accounting for financial statement purposes and accounting for tax purposes result in the current provision for taxes being higher (lower) than the total provision for income taxes as follows:

	2006	2005	2004
Intangible assets	$(42.8)	$(60.2)	$(46.9)
Property, plant and equipment	18.4	34.2	(9.8)
Pension and other retiree benefits	30.5	(19.8)	4.8
Stock-based compensation	28.7	2.7	—
Other, net	(2.5)	5.6	(8.4)
Total	$ 32.3	$(37.5)	$(60.3)

The difference between the statutory U.S. federal income tax rate and the Company's global effective tax rate as reflected in the Consolidated Statements of Income is as follows:

Percentage of Income Before Tax	2006	2005	2004
Tax at United States statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	0.8	0.9	1.0
Effect of American Jobs Creation Act	—	2.0	—
Earnings taxed at other than United States statutory rate	(2.1)	(1.5)	(1.1)
Other, net	(1.3)	(1.4)	(1.2)
Effective tax rate	32.4%	35.0%	33.7%

The American Jobs Creation Act of 2004 (the AJCA), which was enacted in October 2004, created a temporary incentive for U.S. corporations to repatriate accumulated income earned abroad by providing an 85% dividends received deduction for certain qualifying dividends. The Company repatriated $780 in incremental foreign earnings in the second half of 2005 at a full year tax cost of approximately $40.9.

The components of deferred tax assets (liabilities) are as follows at December 31:

	2006	2005
Deferred Taxes – Current:		
Accrued liabilities	$ 55.3	$ 62.4
Stock-based compensation	16.5	12.8
Other, net	25.1	17.9
Total deferred taxes, current	96.9	93.1
Deferred Taxes – Long-term:		
Intangible assets	(380.9)	(338.1)
Pension and other retiree benefits	223.5	(9.7)
Stock-based compensation	40.6	17.8
Property, plant and equipment	(233.4)	(257.8)
Tax loss and tax credit carryforwards	189.4	193.3
Other, net	(23.7)	(26.4)
Valuation allowance	(125.4)	(133.8)
Total deferred taxes, long-term	(309.9)	(554.7)
Net deferred taxes	$(213.0)	$(461.6)

The major component of the valuation allowance as of December 31, 2006 and 2005 relates to tax benefits in certain jurisdictions arising from net operating losses. On an ongoing basis, the Company reassesses the need for such valuation allowance based on recent operating results, its assessment of the likelihood of future taxable income and developments in the relevant tax jurisdictions. Based on management's current assessment, it is possible that the Company will be able to reduce its valuation allowance in the near-term as the realization of deferred tax assets becomes probable.

Applicable U.S. income and foreign withholding taxes have not been provided on approximately $1,600 of undistributed earnings of foreign subsidiaries at December 31, 2006. These earnings have been and are currently considered to be permanently invested and are currently not subject to such taxes. Determining the tax liability that would arise if these earnings were remitted is not practicable.

In addition, net tax benefits of $258.0 in 2006, $12.0 in 2005 and $27.1 in 2004 recorded directly through equity predominantly include tax benefits related to employee equity compensation plans. In addition, 2006 includes $237.6 related to the implementation of SFAS 158.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" (FIN 48), which prescribes accounting for and disclosure of uncertainty in tax positions. This interpretation defines the criteria that must be met for the benefits of a tax position to be recognized in the financial statements and the measurement of tax benefits recognized. The provisions of FIN 48 are effective as of the beginning of the Company's 2007 fiscal year, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company is currently finalizing its analysis of the impact on the Consolidated Financial Statements of adopting FIN 48 and believes that the impact, if any, will not be material.

12. Earnings Per Share

	For the Year Ended 2006			For the Year Ended 2005			For the Year Ended 2004		
	Income	Shares (millions)	Per Share	Income	Shares (millions)	Per Share	Income	Shares (millions)	Per Share
Net income	$1,353.4			$1,351.4			$1,327.1		
Preferred dividends	(28.7)			(28.2)			(25.9)		
Basic EPS	1,324.7	515.2	$2.57	1,323.2	520.5	$2.54	1,301.2	530.9	$2.45
Stock options and restricted stock		6.1			3.8			3.9	
Convertible preference stock	28.7	29.2		28.2	32.2		25.9	34.5	
Diluted EPS	$1,353.4	550.5	$2.46	$1,351.4	556.5	$2.43	$1,327.1	569.3	$2.33

Diluted earnings per share is computed on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options and restricted stock awards.

13. Commitments and Contingencies

Minimum rental commitments under noncancellable operating leases, primarily for office and warehouse facilities, are $117.0 in 2007, $104.1 in 2008, $87.7 in 2009, $66.7 in 2010, $51.2 in 2011 and $103.1 thereafter. Rental expense amounted to $142.6 in 2006, $130.6 in 2005 and $124.5 in 2004. Capital leases included in fixed assets, contingent rentals and sublease income are not significant. The Company has various contractual commitments to purchase raw, packaging and other materials totaling $864.0.

The Company is contingently liable with respect to lawsuits, environmental matters, taxes and other matters arising out of the normal course of business.

Management proactively reviews and monitors its exposure to, and the impact of, environmental matters. The Company is a potentially responsible party to various environmental matters and as such may be responsible for all or a portion of the cleanup, restoration and post-closure monitoring of several sites. Substantially all of the Company's potential liability for these matters relates to a single superfund site associated with a prior acquisition. Substantially all of the Company's potential liability that may arise in connection with this site has been acknowledged in writing as being covered by the Company's insurance carriers which are presently making all their required payments and are expected to continue to do so in the future. While it is possible that the nonperformance of other potentially responsible parties or the Company's insurance carriers could affect the cash flows and results of operations in any particular quarter or year, it is the opinion of management that the ultimate disposition of these matters, to the extent not previously provided for, will not have a material impact on the financial position, or ongoing results of operations and cash flows of the Company.

As a matter of course, the Company is regularly audited by the Internal Revenue Service (IRS) and other tax authorities around the world in countries where it conducts business. In this regard, the IRS has completed its examination of the Company's federal income tax returns for 1996 through 2003 and has proposed an assessment that challenges the Company's tax deductions for compensation in connection with expatriate executives. During 2005, the Company and the IRS reached agreement with respect to the compensation tax deduction for 1996 through 1998, and the amount of additional tax involved did not have a material impact on the financial position, results of operations or ongoing cash flows of the Company. For the remaining years under audit, 1999 through 2003, the tax in connection with the challenged deductions is $62. Estimated incremental tax payments related to the potential disallowances for subsequent periods could be an additional $18. While the Company believes that its tax position complies with applicable tax law and intends to continue to defend its position, potential settlement discussions with the IRS for the later years are underway.

In May 2006, one of the Company's subsidiaries received an assessment from the Mexican tax authorities totaling approximately $590, at the current exchange rate, including interest and penalties, challenging Value Added Tax (VAT) credits claimed in its 2000 and 2001 VAT returns. In December 2006 another subsidiary of the Company received an income tax assessment from the Mexican tax authorities totaling approximately $175, at the current exchange rate, including interest and penalties, challenging the transfer pricing on transactions between that subsidiary and another of the Company's subsidiaries located in the United States. The Company, through its subsidiary, requested and received in 1999 a written advance ruling from the Mexican tax authorities for both VAT and income tax on which the Company relied in subsequently claiming the VAT credits and income tax treatment to which these assessments relate. The Company believes based on the advice of outside counsel that its tax filings are in full compliance with the written advance ruling and applicable tax law and regulations. The Company has entered into settlement discussions with the Mexican tax authorities regarding these matters. If such discussions are not resolved to the Company's satisfaction, it intends to vigorously challenge the assessments in the Mexican court system and through discussions between Mexican and U.S. government authorities pursuant to the income tax treaty between the countries. Although there can

be no assurances, the Company believes based on the advice of outside counsel that these tax assessments are without merit, and that the Company will ultimately prevail in these matters.

In 1995, the Company acquired the Kolynos oral care business from Wyeth (formerly American Home Products) (the Seller), as described in the Company's Form 8-K dated January 10, 1995. On September 8, 1998, the Company's Brazilian subsidiary received notice of an administrative proceeding from the Central Bank of Brazil primarily taking issue with certain foreign exchange filings made with the Central Bank in connection with the financing of this strategic transaction, but in no way challenging or seeking to unwind the acquisition. The Central Bank of Brazil in January 2001 notified the Company of its decision in this administrative proceeding to impose a fine, which, at the current exchange rate, approximates $120. The Company appealed the imposition of the fine to the Brazilian Monetary System Appeals Council (the Council), and on January 30, 2007, the Council decided the appeal in the Company's favor, dismissing the fine entirely.

In addition, the Brazilian internal revenue authority has disallowed interest deductions and foreign exchange losses taken by the Company's Brazilian subsidiary for certain years in connection with the financing of the Kolynos acquisition. The tax assessments with interest, at the current exchange rate, approximate $100. The Company has been disputing the disallowances by appealing the assessments within the internal revenue authority's appellate process, with the following results to date:

- In June 2005, the First Board of Taxpayers ruled in the Company's favor and allowed all of the previously claimed deductions for 1996 through 1998, which represent more than half of the total exposure. The tax authorities have appealed this decision to the next administrative level.
- For the remaining exposure related to subsequent years, the assessment is still outstanding, and the Company is also appealing this assessment to the First Board of Taxpayers.

In the event of an adverse decision within the internal revenue authority's appellate process, further appeals are available within the Brazilian federal courts. Although there can be no assurances, management believes, based on the opinion of its Brazilian legal counsel and other experts, that the disallowances are without merit and that the Company should prevail on appeal either at the administrative level or if necessary, in the Brazilian federal courts. The Company intends to challenge these assessments vigorously.

In addition, Brazilian prosecutors reviewed the foregoing transactions as part of an overall examination of all international transfers of Reais through non-resident current accounts during the 1992 to 1998 time frame, a review which the Company understands involved hundreds and possibly thousands of other individuals and companies unrelated to the Company. At the request of these prosecutors, in February 2004, a federal judge agreed to authorize criminal charges against certain current and former officers of the Company's Brazilian subsidiary based on the same allegations made in the Central Bank and tax proceedings discussed above. Management believes, based on the opinion of its Brazilian legal counsel, that these officers behaved in all respects properly and in accordance with the law in connection with the financing of the Kolynos acquisition. Management intends to support and defend these officers vigorously.

In 2002, the Brazilian Federal Public Attorney filed a civil action against the federal government of Brazil, Laboratorios Wyeth-Whitehall Ltda., the Brazilian subsidiary of the Seller, and the Company, as represented by its Brazilian subsidiary, seeking to annul an April 2000 decision by the Brazilian Board of Tax Appeals that found in favor of the Seller's subsidiary on the issue of whether it had incurred taxable capital gains as a result of the divestiture of Kolynos. The action seeks to make the Company's Brazilian subsidiary jointly and severally liable for any tax due from the Seller's subsidiary. Although there can be no assurances, management believes, based on the opinion of its Brazilian legal counsel, that the Company should ultimately prevail in this action. The Company intends to challenge this action vigorously.

In December 2005, the Brazilian internal revenue authority issued to the Company's Brazilian subsidiary a tax assessment with interest and penalties of approximately $50 at the current exchange rate, based on a claim that certain purchases of U.S. Treasury bills by the subsidiary and their subsequent sale during the period 2000 to 2001 were subject to a tax on foreign exchange transactions. The Company is disputing the assessment within the internal revenue authority's administrative appeals process. Although there can be no assurances, management believes, based on the opinion of its Brazilian legal counsel, that the tax assessment is without merit and that the Company should prevail either through administrative appeal or if necessary through further appeal in the Brazilian federal courts. The Company intends to challenge this assessment vigorously.

In February 2006, the Company learned that French competition authorities initiated an inquiry into potential competition law violations in France involving exchanges of competitive information and agreements on selling terms and conditions among a number of consumer goods companies in France, including the Company's French subsidiary. In February 2007, the Company learned that the Swiss competition authorities will open an investigation against the Company's GABA subsidiary regarding distribution policies, retail pricing and parallel trade. At this time, no formal claim for a fine or penalty has been made in either matter. The Company's policy is to comply with antitrust and competition laws and, if a violation of any such laws is found, to take appropriate remedial action and to cooperate fully with any related governmental inquiry. The Company has undertaken a comprehensive review of its selling practices and related competition law compliance in Europe and elsewhere and, where the Company has identified a lack of compliance, it is undertaking remedial action. While the Company cannot predict the final financial impact of these competition law issues as these matters are still under review and may change, the Company has taken and will, if necessary, take additional reserves as appropriate.

While it is possible that the Company's cash flows and results of operations in a particular quarter or year could be materially affected by the impact of the above noted contingencies, it is the opinion of management that these matters will not have a material impact on the Company's financial position, or ongoing results of operations and cash flows.

14. Segment Information

Effective January 1, 2006, the Company modified the geographic reporting structure of its Oral, Personal and Home Care segment in order to address evolving markets and more closely align countries with similar consumer needs and retail trade structures. Management responsibility for Eastern European operations, including Russia, Turkey, Ukraine and Belarus, was transferred to Greater Asia management and responsibility for operations in the South Pacific, including Australia, was transferred to European management. The financial information for 2005 and 2004 has been reclassified to conform to the new reporting structure.

The Company operates in two product segments: Oral, Personal and Home Care; and Pet Nutrition. The operations of the Oral, Personal and Home Care segment are managed geographically in four reportable operating segments: North America, Latin America, Europe/South Pacific and Greater Asia/Africa. Management evaluates segment performance based on several factors, including Operating profit. The Company uses Operating profit as a measure of the operating segment performance because it excludes the impact of corporate-driven decisions related to interest expense and income taxes.

The accounting policies of the operating segments are generally the same as those described in Note 2. Intercompany sales have been eliminated. Corporate operations include restructuring and implementation related costs, stock-based compensation related to stock options and restricted stock awards, research and development costs, unallocated overhead costs, and gains and losses on sales of non-core brands and assets. Segment information regarding Net sales, Operating profit, Capital expenditures, Depreciation and amortization and Identifiable assets is detailed below:

Net sales	2006	2005	2004
Oral, Personal and Home Care			
North America[1]	$ 2,590.8	$ 2,509.8	$ 2,378.7
Latin America	3,019.5	2,623.8	2,266.0
Europe/South Pacific	2,952.3	2,845.9	2,759.4
Greater Asia/Africa	2,006.0	1,897.2	1,747.0
Total Oral, Personal and Home Care	10,568.6	9,876.7	9,151.1
Pet Nutrition[2]	1,669.1	1,520.2	1,433.1
Total Net sales	$12,237.7	$11,396.9	$10,584.2

(1) Net sales in the U.S. for Oral, Personal and Home Care were $2,211.2, $2,124.2 and $2,000.3 in 2006, 2005 and 2004, respectively.
(2) Net sales in the U.S. for Pet Nutrition were $897.9, $818.1 and $781.0 in 2006, 2005 and 2004, respectively.

Operating profit	2006	2005	2004
Oral, Personal and Home Care			
North America	$ 550.1	$ 545.7	$ 530.1
Latin America	872.9	698.0	627.7
Europe/South Pacific	681.2	619.8	611.5
Greater Asia/Africa	278.7	245.5	237.6
Total Oral, Personal and Home Care	2,382.9	2,109.0	2,006.9
Pet Nutrition	447.9	412.8	389.7
Corporate	(670.3)	(306.8)	(274.5)
Total Operating profit	$2,160.5	$2,215.0	$2,122.1

Capital expenditures	2006	2005	2004
Oral, Personal and Home Care			
North America	$ 82.4	$ 39.3	$ 55.4
Latin America	108.9	104.1	75.4
Europe/South Pacific	129.9	63.1	71.5
Greater Asia/Africa	83.8	117.9	79.6
Total Oral, Personal and Home Care	405.0	324.4	281.9
Pet Nutrition	26.8	28.5	30.4
Corporate	44.6	36.3	35.8
Total Capital expenditures	$476.4	$389.2	$348.1

Depreciation and amortization	2006	2005	2004
Oral, Personal and Home Care			
North America	$ 69.9	$ 71.2	$ 74.9
Latin America	73.4	67.1	58.8
Europe/South Pacific	69.9	76.6	82.4
Greater Asia/Africa	51.6	49.5	48.1
Total Oral, Personal and Home Care	264.8	264.4	264.2
Pet Nutrition	29.9	30.1	31.1
Corporate	34.0	34.8	32.5
Total Depreciation and amortization	$328.7	$329.3	$327.8

Identifiable assets	2006	2005	2004
Oral, Personal and Home Care			
North America	$2,006.3	$1,918.0	$2,001.4
Latin America	2,343.7	2,084.3	1,825.1
Europe/South Pacific	2,484.4	2,120.3	2,575.6
Greater Asia/Africa	1,504.8	1,336.5	1,298.6
Total Oral, Personal and Home Care	8,339.2	7,459.1	7,700.7
Pet Nutrition	646.9	614.3	614.0
Corporate[3]	151.9	433.7	358.2
Total Identifiable assets[4]	$9,138.0	$8,507.1	$8,672.9

(3) Corporate assets, which include benefit plan assets decreased as a result of the adoption of SFAS 158. SFAS 158 resulted in a decrease in Total assets with a corresponding decrease to Total liabilities and shareholders' equity in the Consolidated Balance Sheet.
(4) Long-lived assets in the U.S., primarily property, plant and equipment and goodwill and other intangibles represented approximately one-third of total long-lived assets of $5,719.6, $5,629.3 and $5,792.1 in 2006, 2005 and 2004, respectively.

15. Supplemental Income Statement Information

Other (income) expense, net	2006	2005	2004
Minority interest	$ 57.5	$ 55.3	$ 47.9
Amortization of intangible assets	16.3	15.6	14.3
Equity (income)	(3.4)	(2.0)	(8.5)
Gains on sales of non-core product lines, net	(46.5)	(147.9)	(26.7)
2004 Restructuring Program	153.1	80.8	65.3
2003 restructuring activities	—	—	2.8
Pension and other retiree benefit	—	34.0	—
Investment losses (income)	(5.7)	19.7	(8.7)
Other, net	14.6	13.7	3.9
Total Other (income) expense, net	$185.9	$ 69.2	$ 90.3

Interest expense, net	2006	2005	2004
Interest incurred	$ 170.0	$ 145.0	$ 126.0
Interest capitalized	(3.4)	(2.5)	(2.3)
Interest income	(7.9)	(6.5)	(4.0)
Total Interest expense, net	$ 158.7	$ 136.0	$ 119.7

	2006	2005	2004
Research and development	$ 241.5	$ 238.5	$ 223.4
Advertising	$1,320.3	$1,193.6	$1,063.0

16. Supplemental Balance Sheet Information

Inventories	2006	2005
Raw materials and supplies	$ 248.3	$208.1
Work-in-process	45.4	37.5
Finished goods	714.7	610.2
Total Inventories	$1,008.4	$855.8

Inventories valued under LIFO amounted to $238.2 and $191.7 at December 31, 2006 and 2005, respectively. The excess of current cost over LIFO cost at the end of each year was $46.9 and $29.5, respectively. The liquidations of LIFO inventory quantities had no effect on income in 2006, 2005 and 2004.

Property, plant and equipment, net	2006	2005
Land	$ 145.9	$ 134.5
Buildings	962.3	896.5
Manufacturing machinery and equipment	3,794.8	3,540.9
Other equipment	792.0	775.2
	5,695.0	5,347.1
Accumulated depreciation	(2,998.9)	(2,803.0)
Total Property, plant and equipment, net	$ 2,696.1	$ 2,544.1

Other accruals	2006	2005
Accrued advertising	$ 438.4	$ 344.9
Accrued payroll and employee benefits	322.5	305.6
Accrued taxes other than income taxes	49.2	72.3
Restructuring accrual	64.7	38.7
Pension and other retiree benefits	44.3	—
Accrued interest	19.1	17.5
Other	378.9	344.2
Total Other accruals	$1,317.1	$1,123.2

Other liabilities	2006	2005
Minority interest	$ 111.8	$103.3
Pension and other retiree benefits	968.4	670.4
Other	147.5	167.6
Total Other liabilities	$1,227.7	$941.3

Accumulated Other Comprehensive Income

Accumulated other comprehensive income is comprised of cumulative foreign currency translation gains and losses, the SFAS 158 and minimum pension liability adjustments, unrealized gains and losses from derivative instruments designated as cash flow hedges, and unrealized gains and losses from available-for-sale securities. As of December 31, 2006 and 2005, accumulated other comprehensive income primarily consisted of cumulative foreign currency translation adjustments. In addition, in 2006 accumulated other comprehensive income includes, $477.6 of unrecognized prior service costs, transition obligations and actuarial losses related to the implementation of SFAS 158.

Other comprehensive income in 2006 primarily reflects foreign currency translation gains largely due to the strengthening of the Brazilian real and the Swiss franc. The 2005 cumulative translation adjustment reflects a weakening Euro and its effect primarily on euro-denominated long-term debt, similar effects from a weakening Swiss franc, together with a strengthening Brazilian real and Mexican peso.

17. Quarterly Financial Data *(Unaudited)*

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2006				
Net sales	$2,870.6	$3,014.3	$3,143.7	$3,209.1
Gross profit	1,563.5	1,633.1	1,728.4	1,776.6
Net income	324.5 (1)	283.6 (2)	344.1 (3)	401.2 (4)
Earnings per common share:				
Basic	0.62	0.54	0.65	0.77
Diluted	0.59 (1)	0.51 (2)	0.63 (3)	0.73 (4)
2005				
Net sales	$2,743.0	$2,837.5	$2,911.8	$2,904.6
Gross profit	1,503.6	1,539.1	1,577.6	1,584.7
Net income	300.1 (5)	342.9 (6)	347.2 (7)	361.2 (8)
Earnings per common share:				
Basic	0.56	0.64	0.66	0.68
Diluted	0.53 (5)	0.62 (6)	0.63 (7)	0.65 (8)

Note: Basic and diluted earnings per share are computed independently for each quarter presented. Accordingly, the sum of the quarterly earnings per share may not agree with the calculated full year earnings per share.

(1) Net income and diluted earnings per share for the first quarter of 2006 were reduced by a net aftertax charge of $58.9 and $0.11, respectively, reflecting the net impact of charges related to the 2004 Restructuring Program and incremental stock-based compensation charges due to the adoption of SFAS 123R.

(2) Net income and diluted earnings per share for the second quarter of 2006 were reduced by a net aftertax charge of $124.2 and $0.23, respectively, reflecting the net impact of charges related to the 2004 Restructuring Program and incremental stock-based compensation charges due to the adoption of SFAS 123R.

(3) Net income and diluted earnings per share for the third quarter of 2006 were reduced by a net aftertax charge of $77.4 and $0.14, respectively, reflecting the net impact of charges related to the 2004 Restructuring Program and incremental stock-based compensation charges due to the adoption of SFAS 123R.

(4) Net income and diluted earnings per share for the fourth quarter of 2006 were reduced by a net aftertax charge of $35.7 and $0.07, respectively, reflecting the net impact of a gain on the sale of the Company's household bleach brand in Canada, charges related to the 2004 Restructuring Program and incremental stock-based compensation charges due to the adoption of SFAS 123R.

(5) Net income and diluted earnings per share for the first quarter of 2005 were reduced by a net aftertax charge of $44.6 and $0.08 respectively, reflecting charges related to the 2004 Restructuring Program.

(6) Net income and diluted earnings per share for the second quarter of 2005 were reduced by a net aftertax charge of $28.7 and $0.05, respectively, reflecting charges related to the 2004 Restructuring Program.

(7) Net income and diluted earnings per share for the third quarter of 2005 were reduced by a net aftertax charge of $22.5 and $0.04, respectively, reflecting the net impact of a gain on the sale of the Company's heavy-duty laundry detergent brands in North America, charges related to the 2004 Restructuring Program, income taxes for incremental repatriation of foreign earnings related to the American Jobs Creation Act and charges related to certain pension obligations as required by SFAS 88.

(8) Net income and diluted earnings per share for the fourth quarter of 2005 were reduced by a net aftertax charge of $19.4 and $0.04, respectively, reflecting the net impact of charges related to the 2004 Restructuring Program, a gain on the sale of the Company's heavy-duty laundry detergent brands in Southeast Asia, income taxes for the incremental repatriation of foreign earnings related to the American Jobs Creation Act and a non-cash charge related to an international postretirement obligation.

Market and Dividend Information

The Company's common stock is listed on the New York Stock Exchange. The trading symbol for the common stock is CL. Dividends on the common stock have been paid every year since 1895 and the Company's regular common stock dividend payments have increased for 44 consecutive years.

Market Price of Common Stock

Quarter Ended	2006		2005	
	High	Low	High	Low
March 31	$58.28	$53.70	$55.20	$48.55
June 30	61.51	56.26	53.95	48.60
September 30	62.57	58.22	54.06	49.55
December 31	66.83	59.79	56.39	51.78
Year-end Closing Price	$65.24		$54.85	

Dividends Paid Per Common Share

Quarter Ended	2006	2005
March 31	$0.29	$0.24
June 30	0.32	0.29
September 30	0.32	0.29
December 31	0.32	0.29
Total	$1.25	$1.11

Eleven-Year Financial Summary[1]

For the years ended December 31,	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Continuing Operations											
Net sales[2]	$12,237.7	$11,396.9	$10,584.2	$9,903.4	$9,294.3	$9,084.3	$9,004.4	$8,801.5	$8,660.8	$8,786.8	$8,493.1
Results of operations:											
Net income	1,353.4 [3]	1,351.4[4]	1,327.1[5]	1,421.3	1,288.3	1,146.6	1,063.8	937.3	848.6	740.4	635.0
Per share, basic	2.57 [3]	2.54[4]	2.45[5]	2.60	2.33	2.02	1.81	1.57	1.40	1.22	1.05
Per share, diluted	2.46 [3]	2.43[4]	2.33[5]	2.46	2.19	1.89	1.70	1.47	1.30	1.13	0.98
Depreciation and amortization expense	328.7	329.3	327.8	315.5	296.5	336.2	337.8	340.2	330.3	319.9	316.3
Financial Position											
Current ratio	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.2
Property, plant and equipment, net	2,696.1	2,544.1	2,647.7	2,542.2	2,491.3	2,513.5	2,528.3	2,551.1	2,589.2	2,441.0	2,428.9
Capital expenditures	476.4	389.2	348.1	302.1	343.7	340.2	366.6	372.8	389.6	478.5	459.0
Total assets	9,138.0	8,507.1	8,672.9	7,478.8	7,087.2	6,984.8	7,252.3	7,423.1	7,685.2	7,538.7	7,901.5
Long-term debt	2,720.4	2,918.0	3,089.5	2,684.9	3,210.8	2,812.0	2,536.9	2,243.3	2,300.6	2,340.3	2,786.8
Shareholders' equity	1,410.9	1,350.1	1,245.4	887.1	350.3	846.4	1,468.1	1,833.7	2,085.6	2,178.6	2,034.1
Share and Other											
Book value per common share	2.81	2.67	2.43	1.71	0.69	1.54	2.57	3.14	3.53	3.65	3.42
Cash dividends declared and paid per common share	1.25	1.11	0.96	0.90	0.72	0.675	0.63	0.59	0.55	0.53	0.47
Closing price	65.24	54.85	51.16	50.05	52.43	57.75	64.55	65.00	46.44	36.75	23.06
Number of common shares outstanding (in millions)	512.7	516.2	526.6	533.7	536.0	550.7	566.7	578.9	585.4	590.8	588.6
Number of common shareholders of record	33,400	35,000	36,500	37,700	38,800	40,900	42,300	44,600	45,800	46,800	45,500
Average number of employees	34,700	35,800	36,000	36,600	37,700	38,500	38,300	37,200	38,300	37,800	37,900

(1) All share and per share amounts have been restated to reflect the 1999 and 1997 two-for-one stock splits.

(2) Net sales amounts for 2001 and prior have been revised to reflect the reclassification of certain sales incentives and promotional expenses from selling, general and administrative expenses to a reduction of net sales and cost of sales in accordance with new accounting standards.

(3) Net income and earnings per share in 2006 include a gain for the sale of the Company's household bleach business in Canada of $38.2 aftertax. This gain was more than offset by $286.3 of aftertax charges associated with the 2004 Restructuring Program and $48.1 of aftertax charges related to the adoption of SFAS 123R.

(4) Net income and earnings per share in 2005 include a gain for the sale of heavy-duty laundry detergent brands in North America and Southeast Asia of $93.5 aftertax. This gain was more than offset by $145.1 of aftertax charges associated with the 2004 Restructuring Program, $40.9 of income taxes for incremental repatriation of foreign earnings related to the American Jobs Creation Act and $22.7 aftertax of non-cash pension and other retiree benefit charges.

(5) Net income and earnings per share in 2004 include a provision for the 2004 Restructuring Program of $48.0 aftertax.

Financial Statement

Campbell Soup

CAMPBELL SOUP COMPANY

Supplemental Schedule of Sales and Earnings

(million dollars)	*Year 11*		Year 10		Year 9	
	Sales	***Earnings***	Sales	Earnings	Sales	Earnings
1 **Contributions by division**						
Campbell North America						
Campbell U.S.A.	***$3,911.8***	***$632.7***	$3,932.7	$370.8	$3,666.9	$242.3
Campbell Canada	***352.0***	***35.3***	384.0	25.6	313.4	23.8
	4,263.8	***668.0***	4,316.7	396.4	3,980.3	266.1
Campbell Biscuit and Bakery						
Pepperidge Farm	***569.0***	***73.6***	582.0	57.0	548.4	53.6
International Biscuit	***219.4***	***17.6***	195.3	8.9	178.0	11.7
	788.4	***91.2***	777.3	65.9	726.4	65.3
Campbell International	***1,222.9***	***39.4***	1,189.8	(168.6)	1,030.3	(117.8)
Interdivision	***(71.0)***		(78.0)		(64.9)	
Total sales	***$6,204.1***		$6,205.8		$5,672.1	
Total operating earnings		***798.6***		293.7		213.6
Unallocated corporate expenses		***(41.1)***		(16.5)		(31.3)
Interest, net		***(90.2)***		(94.0)		(55.8)
Foreign currency translation adjustments		***.1***		(3.8)		(20.0)
Taxes on earnings		***(265.9)***		(175.0)		(93.4)
Net earnings		***$401.5***		$4.4		$13.1
Net earnings per share		***$3.16***		$.03		$.10

Contributions by division in Year 10 include the effects of divestitures, restructuring and unusual charges of $339.1 million as follows: Campbell U.S.A. $121.8 million, Campbell Canada $6.6 million, Pepperidge Farm $11.0 million, International Biscuit $14.3 million, and Campbell International $185.4 million. Contributions by division in Year 9 include the effects of restructuring and unusual charges of $343.0 million as follows: Campbell U.S.A. $183.1 million, Campbell Canada $6.0 million, Pepperidge Farm $7.1 million, International Biscuit $9.5 million, and Campbell International $137.3 million.

CAMPBELL SOUP

2 **Results of Operations**

Overview

Campbell had record net earnings in Year 11 of $401.5 million, or $3.16 per share, compared to net earnings of $4.4 million, or 3 cents per share, in Year 10. Excluding Year 10's divestiture and restructuring charges, earnings per share increased 34% in Year 11. In Year 11, the Company sold five non-strategic businesses, sold or closed several manufacturing plants, and discontinued certain unprofitable product lines. Net sales of $6.2 billion in Year 11 were even with Year 10. Sales were up 4% excluding businesses that were divested and product lines that were discontinued in Year 11.

In Year 10 the Company incurred charges for divestitures and restructuring of $2.33 per share, reducing net earnings to 3 cents per share. In Year 9 restructuring charges of $2.02 per share reduced earnings to 10 cents per share. Excluding these charges from both years, earnings per share rose 11% in Year 10. Sales increased 9%. In Year 10 the company's domestic divisions had strong earnings performances, excluding the divestiture and restructuring charges, but the International Division's performance was disappointing principally due to the poor performance of United Kingdom frozen food and Italian biscuit operations. The Italian biscuit operations were divested in Year 11.

The divestiture and restructuring programs were designed to strengthen the Company's core businesses and improve long-term profitability. The Year 10 divestiture program involved the sale of several low-return or non-strategic businesses. The Year 10 restructuring charges provided for the elimination of underperforming assets and unnecessary facilities and included a write-off of goodwill. The restructuring charges in Year 9 involved plant consolidations, work force reductions, and goodwill write-offs.

Year 11 Compared to Year 10

3 Results by Division

Campbell North America. Operating earnings of Campbell North America, the Company's largest division, were $668.0 million in Year 11 compared to $396.4 million in Year 10 after restructuring charges of $128.4 million. Operating earnings increased 27% in Year 11 over Year 10, excluding the restructuring charges from Year 10. All of the division's core businesses had very strong earnings growth. Continued benefits of restructuring drove significant improvements in operating margins.

Sales were $4.26 billion in Year 11. Excluding divested businesses and discontinued product lines, sales increased 2% with overall volume down 2%. Soup volume was off 1.5% as a result of reduced year-end trade promotional activities. Significant volume increases were achieved in the cooking soup, ramen noodle and family-size soup categories and "Healthy Request" soup. Exceptionally strong volume performances were turned in by "Swanson" frozen dinners, "Franco-American" gravies and "Prego" spaghetti sauces with positive volume results for "LeMenu Healthy" entrees, Food Service frozen soups and entrees, and Casera Foods in Puerto Rico.

Campbell Biscuit and Bakery. Operating earnings of the Biscuit and Bakery division, which includes Pepperidge Farm in the United States, Delacre in Europe and an equity interest in Arnotts Limited in Australia, were $91.2 million in Year 11 compared with $65.9 million in Year 10 after restructuring charges of $25.3 million. Operating earnings were flat in Year 11 excluding the restructuring charges from Year 10. Sales increased 1%, however, volume declined 3%.

Pepperidge Farm operating earnings in Year 11 increased despite a drop in sales, which reflects the adverse effect of the recession on premium cookies. Several new varieties of "Hearty Slices" bread performed well. Delacre, benefiting from new management and integration into the worldwide biscuit and bakery organization, turned in significant improvement in Year 11 sales and operating earnings. Arnotts' performance in Year 11 was disappointing and included restructuring charges. Its restructuring program should have a positive impact on fiscal Year 12 results. The Year 11 comparison with Year 10 was also adversely impacted by gains of $4.0 million realized in Year 10 on the sales of businesses by Arnotts.

Campbell International. Operating earnings of the International division were $39.4 million in Year 11 compared to an operating loss of $168.6 million in Year 10 after restructuring charges of $185.4 million.

In Year 11, Campbell International achieved a significant turnaround. Operating earnings for the year more than doubled above the pre-restructuring results of the prior year. There were margin improvements throughout the system. Europe led the division's positive results. A key component was the United Kingdom's move from a loss position to profitability, driven by the benefits of restructuring and product line reconfiguration.

European Food and Confectionery units turned in another year of solid earnings growth. Mexican operations, strengthened by a new management team, also turned around from a loss to a profit position. Sales were $1.22 billion in Year 11, an increase of 6%, excluding divested businesses and discontinued product lines, and the effects of foreign currency rates. Volume was approximately the same as in Year 10.

4 Statements of Earnings

Sales in Year 11 were even with Year 10. Excluding divested businesses and unprofitable product lines discontinued during Year 11, sales increased 4% while volume declined approximately 2%. The decline in volume was caused by reduced year-end trade promotional activities and the adverse effect of the recession on certain premium products.

Gross margins improved 2.6 percentage points to 34.0% in Year 11 from 31.4% in Year 10. All divisions improved due to the significant benefits from restructuring and the divestitures and product-pruning activities. Productivity improvements worldwide and declining commodity prices also contributed to the higher margins.

Marketing and selling expenses, as a percentage of net sales, were 15.4% in Year 11 compared to 15.8% in Year 10. The decrease in Year 11 is due to more focused marketing efforts and controlled new product introductions. For each of the prior 10 fiscal years, these expenses had increased significantly. Advertising was down 11% in Year 11. Management expects advertising expenditures to increase in Year 12 in order to drive volume growth of core products and to support the introduction of new products.

Administrative expenses, as a percentage of net sales, were 4.9% in Year 11 compared to 4.7% in Year 10. The increase in Year 11 results principally from annual executive incentive plan accruals due to outstanding financial performance and foreign currency rates.

Interest expense increased in Year 11 due to timing of fourth quarter borrowings in order to obtain favorable long-term interest rates. Interest income was also higher in Year 11 as the proceeds from these borrowings were invested temporarily until needed. Interest expense, net of interest income, decreased from $94.0 million in Year 10 to $90.2 million in Year 11 as the increased cash flow from operations exceeded cash used for share repurchases and acquisitions.

Foreign exchange losses declined principally due to reduced effects of currency devaluations in Argentina.

Other expense was $26.2 million in Year 11 compared to $14.7 million in Year 10. The increase results principally from accruals for long-term incentive compensation plans reflecting changes in Campbell's stock price.

As discussed in the "Overview" section above, Year 10 results include divestiture, restructuring, and unusual charges of $339.1 million ($301.6 million or $2.33 per share after taxes).

Equity in earnings of affiliates declined in Year 11 principally due to the disappointing performance at Arnotts and to a $4.0 million gain on sales of businesses realized by Arnotts in Year 10.

Year 10 Compared to Year 9

5 Results by Division

Campbell North America. In Year 10, Campbell North America had operating earnings of $396.4 million after restructuring charges of $128.4 million. In Year 9 the division had operating earnings of $266.1 million, after restructuring charges of $189.1 million. Excluding restructuring charges from both Year 10 and Year 9 operating earnings increased 15% in Year 10, led by strong performances by the soup, grocery, "Mrs. Paul's" frozen seafood, and Canadian sectors. The olives business performed poorly in Year 10.

Sales increased 8% in Year 10 to $4.32 billion on a 3% increase in volume. There were solid volume increases in ready-to-serve soups, "Great Starts" frozen breakfasts, and "Prego" spaghetti sauces. Overall soup volume was up 1%. "Mrs. Paul's" regained the number one share position in frozen prepared seafood.

Campbell Biscuit and Bakery. In Year 10, Campbell Biscuit and Bakery had operating earnings of $65.9 million after restructuring charges of $25.3 million. In Year 9, the division's operating earnings were $65.3 million after restructuring charges of $16.6 million. Excluding restructuring charges from both Year 10 and Year 9, operating earnings of the division increased 11% in Year 10. The increase in operating earnings was driven by Pepperidge Farm's biscuit and bakery units along with Arnott's gain on sales of businesses. Pepperidge Farm's frozen unit and Delacre performed poorly. Sales increased 7% to $777.3 million. Volume increased 1%, with Pepperidge Farm's biscuit, bakery and food service units and Delacre the main contributors to the growth.

Campbell International. In Year 10, Campbell International had an operating loss of $168.6 million after restructuring charges of $185.4 million. In Year 9, the division sustained an operating loss of $117.8 million after restructuring charges of $137.3 million. Excluding restructuring charges from both Year 10 and Year 9, operating earnings declined 14% in Year 10, as strong performances in the European Food and Confectionery and Argentine operations were more than offset by poor performances in the United Kingdom frozen food and Italian biscuit operations. Sales in Year 10 were $1.19 billion, an increase of 15%. Volume was up 14% of which 11% came from acquisitions.

6 Statements of Earnings

In Year 10 sales increased 9% on a 5% increase in volume, about half of which came from established businesses.

Gross margins improved by 1.9 percentage points to 31.4% in Year 10 from 29.5% in Year 9. All divisions had improved margins in Year 10, with Campbell North America operations posting substantial improvements.

Marketing and selling expenses, as a percentage of net sales, were 15.8% in Year 10 compared to 14.4% in Year 9. The Year 10 increase was due to heavy marketing expenditures by Campbell U.S.A. at both the national and regional levels.

Administrative expenses, as a percentage of net sales, were 4.7% in Year 10 compared to 4.4% in Year 9. The increase in Year 10 was driven by some unusual one-time expenditures, employee benefits, the weakening dollar and acquisitions.

Interest expense increased in Year 10 due to higher debt levels resulting from funding of acquisitions, higher inventory levels during the year, purchases of Campbell's stock for the treasury and restructuring program expenditures. Interest income declined in Year 10 because of a shift from local currency to lower-yielding dollar denominated temporary investments in Latin America to minimize foreign exchange losses.

Foreign exchange losses resulted principally from currency devaluations in Argentina. There was a large devaluation in Argentina in Year 9. Also, Year 10 losses were lower due to the shift in temporary investments described in the previous paragraph.

Other expense was $14.7 million in Year 10 compared to $32.4 million in Year 9. This decline results principally from reduced accruals for long-term incentive compensation plans reflecting changes in Campbell's stock price.

As discussed in the "Overview" section above, results include divestiture, restructuring and unusual charges of $339.1 million ($301.6 million or $2.33 per share after taxes) in Year 10 and $343.0 million ($260.8 million or $2.02 per share after taxes) in Year 9.

Equity in earnings of affiliates increased in Year 10 principally due to a $4.0 million gain on sales of businesses realized by Arnotts in Year 10.

7 Income Taxes

The effective income tax rate was 39.8% in Year 11, 97.5% in Year 10 an 87.7% in Year 9. The principal reason for the high tax rates in Year 10 and Year 9 is that certain of the divestiture, restructuring and unusual charges are not tax deductible. Excluding the effect of these charges, the rate would be 41.0% in Year 10 and 38.9% in Year 9. The variances in all years are principally due to the level of certain foreign losses for which no tax benefit is currently available.

8 Inflation

The Company attempts to mitigate the effects of inflation on sales and earnings by appropriately increasing selling prices and aggressively pursuing an ongoing cost improvement effort which includes capital investments in more efficient plants and equipment. Also, the divestiture and restructuring programs enacted in Year 9 and Year 10 have made the Company a more cost-effective producer, as previously discussed with reference to cost of products sold.

10 Liquidity and Capital Resources

The Consolidated Statements of Cash Flows and Balance Sheets demonstrate the Company's continued superior financial strength.

11 Statements of Cash Flows

Operating Activities. Cash provided by operations was $805.2 million in Year 11, an 80% increase from $448.4 million in Year 10. This increased cash flow was driven by the Company's record earnings level and reduced working capital resulting from improved asset management and the restructuring program.

Investing Activities. The majority of the Company's investing activities involve the purchase of new plant assets to maintain modern manufacturing processes and increase productivity. Capital expenditures for plant assets amounted to $371.1 million in Year 11, including $10.0 million of capital lease activity, down slightly from Year 10. The Company expects capital expenditures in Year 12 to be about $400 million.

Another key investing activity of the Company is acquisitions. The total cost of acquisitions in Year 11 was $180.1 million, most of which was spent to acquire the publicly held shares of the Company's 71% owned subsidiary, Campbell Soup Company Ltd. in Canada. This will allow Campbell North America to more efficiently integrate its U.S. and Canadian operations to provide Campbell with competitive advantage in North America.

One of the Company's strategies has been to prune low-return assets and businesses from its portfolio. In Year 11 the Company realized over $100 million in cash from these activities, with $67.4 million coming from sales of businesses and $43.2 million realized from asset sales.

Also, during Year 11 the Company made contributions to its pension plans substantially in excess of the amounts expensed. This was the principal reason for the increase in other assets.

Financing Activities. During Year 11, the Company issued debt in the public markets for a total of $400 million: $100 million of 9% Notes due Year 18. $100 million of Medium-Term Notes due Year 21 at interest rates from 8.58% to 8.75%, and $200 million of 8.875%. Debentures due Year 41. The proceeds were used to reduce short-term debt by $227 million, pay off long-term debt maturing in Year 11 of $129.9 million, and to fund the purchase of the minority interest of Campbell Canada.

During Year 11, the Company repurchased approximately 3.4 million shares of its capital stock at a cost of $175.6 million. Cash received from the issuance of approximately 1.1 million treasury shares pursuant to the stock option and long-term incentive plans amounted to $47.7 million in Year 11.

Dividends of $137.5 million represent the dividends paid in Year 11. Dividends declared in Year 11 were $142.2 million or $1.12 per share, an increase of 14% over Year 10.

12 Balance Sheets

Total borrowings at the end of fiscal Year 11 were $1.055 billion compared to $1.008 billion at the end of Year 10. Even after the effects of the borrowing and treasury stock activity previously discussed, total debt as a percentage of total capitalization was 33.7%—the same as a year ago. The Company has ample sources of funds. It has access to the commercial paper markets with the highest rating. The Company's long-term debt is rated double A by the major rating agencies. It has filed a shelf registration with the Securities and Exchange Commission for the issuance from time to time of up to $100 million of debt securities. Also, the Company has unused lines of credit of approximately $635 million.

Debt-related activity is discussed in the Statements of Cash Flows section above. In addition to that, the debt balances on the Balance Sheets were affected by current maturities of long-term debt and by the classification of commercial paper to be refinanced as long-term debt in Year 10.

Aggressive management of working capital and the effect of divested businesses are evidenced by a $235.5 million decrease in current assets exclusive of changes in cash and temporary investments. Receivables are down $97.1 million and inventories declined $113.1 million from Year 10. Accounts payable are down $42.8 million because of the reduced inventory levels and divestitures. Accrued liabilities and accrued income taxes declined $61.9 million as increases due to higher earnings levels and the timing of certain payments were offset by payments and charges resulting from the divestitures and restructuring programs.

Plant assets increased $72.7 million due to capital expenditures of $371.1 million offset by the annual provision for depreciation of $194.5 million, asset sales and divestitures. Intangible assets increased $52.1 million as the acquisitions resulted in $132.3 million of additional goodwill. Amortization and divestitures accounted for the remainder of the change. Other assets increased principally as the result of the pension contribution.

Other liabilities decreased $14.9 million as the reduction of minority interest resulting from the purchase of the publicly-held shares of Campbell Canada and changes in foreign currency rates of other liabilities offset the annual deferred tax provision.

CAMPBELL SOUP

CAMPBELL SOUP COMPANY

Consolidated Statements of Earnings

	(millions)	***Year 11***	Year 10	Year 9
13	**NET SALES**	***$6,204.1***	$6,205.8	$5,672.1
	Costs and expenses			
14	Cost of products sold	***4,095.5***	4,258.2	4,001.6
15	Marketing and selling expenses	***956.2***	980.5	818.8
16	Administrative expenses	***306.7***	290.7	252.1
17	Research and development expenses	***56.3***	53.7	47.7
18	Interest expense (Note 3)	***116.2***	111.6	94.1
19	Interest income	***(26.0)***	(17.6)	(38.3)
20	Foreign exchange losses, net (Note 4)	***.8***	3.3	19.3
21	Other expense (Note 5)	***26.2***	14.7	32.4
22	Divestitures, restructuring and unusual charges (Note 6)	**—**	339.1	343.0
22A	Total costs and expenses	***$5,531.9***	$6,034.2	$5,570.7
23	Earnings before equity in earnings of affiliates and minority interests	***$ 672.2***	$ 171.6	$ 101.4
24	Equity in earnings of affiliates	***2.4***	13.5	10.4
25	Minority interests	***(7.2)***	(5.7)	(5.3)
26	Earnings before taxes	***667.4***	179.4	106.5
27	Taxes on earnings (Note 9)	***265.9***	175.0	93.4
28	**Net earnings**	***$ 401.5***	$ 4.4	$ 13.1
29	**Net earnings per share (Note 22)**	***$ 3.16***	$ .03	$ .10
30	Weighted average shares outstanding	***127.0***	129.6	129.3

CAMPBELL SOUP COMPANY

CONSOLIDATED BALANCE SHEETS

	(million dollars)	***July 28, Year 11***	July 29, Year 10
	Current Assets		
31	Cash and cash equivalents (Note 12)	***$178.9***	$80.7
32	Other temporary investments, at cost which approximates market	***12.8***	22.5
33	Accounts receivable (Note 13)	***527.4***	624.5
34	Inventories (Note 14)	***706.7***	819.8
35	Prepaid expenses (Note 15)	***92.7***	118.0
36	Total current assets	***1,518.5***	1,665.5
37	**Plant assets, net of depreciation (Note 16)**	***1,790.4***	1,717.7
38	**Intangible assets, net of amortization (Note 17)**	***435.5***	383.4
39	**Other assets (Note 18)**	***404.6***	349.0
	Total assets	***$4,149.0***	$4,115.6
	Current Liabilities		
40	Notes payable (Note 19)	***$282.2***	$202.3
41	Payable to suppliers and others	***482.4***	525.2
42	Accrued liabilities (Note 20)	***408.7***	491.9
43	Dividend payable	***37.0***	32.3
44	Accrued income taxes	***67.7***	46.4
45	Total current liabilities	***1,278.0***	1,298.1
46	**Long-term debt (Note 19)**	***772.6***	805.8
47	**Other liabilities, principally deferred income taxes (Note 21)**	***305.0***	319.9
	Shareowners' Equity (Note 22)		
48	Preferred stock; authorized 40,000,000 shares; none issued	**—**	—
49	Capital stock, $.15 par value; authorized 140,000,000 shares; issued 135,622,676 shares	***20.3***	20.3
50	Capital surplus	***107.3***	61.9
51	Earnings retained in the business	***1,912.6***	1,653.3
52	Capital stock in treasury, 8,618,911 shares in Year 11 and 6,353,697 shares in Year 10, at cost	***(270.4)***	(107.2)
53	Cumulative translation adjustments (Note 4)	***23.6***	63.5
54	Total shareowners' equity	***1,793.4***	1,691.8
55	Total liabilities and shareowners' equity	***$4,149.0***	$4,115.6

CAMPBELL SOUP COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	(million dollars)	***Year 11***	Year 10	Year 9
	Cash Flows from Operating Activities			
56	Net earnings	***$401.5***	$4.4	$13.1
	To reconcile net earnings to net cash provided by operating activities:			
57	Depreciation and amortization	***208.6***	200.9	192.3
58	Divestitures and restructuring provisions		339.1	343.0
59	Deferred taxes	***35.5***	3.9	(67.8)
60	Other, net	***63.2***	18.6	37.3
61	(Increase) decrease in accounts receivable	***17.1***	(60.4)	(46.8)
62	(Increase) decrease in inventories	***48.7***	10.7	(113.2)
63	Net change in other current assets and liabilities	***30.6***	(68.8)	(.6)
64	Net cash provided by operating activities	***805.2***	448.4	357.3
	Cash Flows from Investing Activities			
65	Purchases of plant assets	***(361.1)***	(387.6)	(284.1)
66	Sales of plant assets	***43.2***	34.9	39.8
67	Businesses acquired	***(180.1)***	(41.6)	(135.8)
68	Sales of businesses	***67.4***	21.7	4.9
69	Increase in other assets	***(57.8)***	(18.6)	(107.0)
70	Net change in other temporary investments	***9.7***	3.7	9.0
71	Net cash used in investing activities	***(478.7)***	(387.5)	(473.2)
	Cash Flows from Financing Activities			
72	Long-term borrowings	***402.8***	12.6	126.5
73	Repayments of long-term borrowings	***(129.9)***	(22.5)	(53.6)
74	Increase (decrease) in borrowings with less than three month maturities	***(137.9)***	(2.7)	108.2
75	Other short-term borrowings	***117.3***	153.7	227.1
76	Repayments of other short-term borrowings	***(206.4)***	(89.8)	(192.3)
77	Dividends paid	***(137.5)***	(124.3)	(86.7)
78	Treasury stock purchases	***(175.6)***	(41.1)	(8.1)
79	Treasury stock issued	***47.7***	12.4	18.5
80	Other, net	***(.1)***	(.1)	23.5
81	Net cash provided by (used in) financing activities	***(219.6)***	(101.8)	163.1
82	Effect of exchange rate changes on cash	***(8.7)***	.7	(12.1)
83	**Net increase (decrease) in cash and cash equivalents**	***98.2***	(40.2)	35.1
84	Cash and cash equivalents at beginning of year	***80.7***	120.9	85.8
85	**Cash and cash equivalents at end of year**	***$178.9***	$80.7	$120.9

CAMPBELL SOUP

CAMPBELL SOUP COMPANY

CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY

(million dollars)

		Preferred Stock	Capital Stock	Capital Surplus	Earnings Retained in the Business	Capital Stock in Treasury	Cumulative Translation Adjustments	Total Shareowners' Equity
86	Balance at July 31, Year 8	—	$20.3	$42.3	$1,879.1	$(75.2)	$28.5	$1,895.0
	Net earnings				13.1			13.1
	Cash dividends ($.90 per share)				(116.4)			(116.4)
	Treasury stock purchased					(8.1)		(8.1)
	Treasury stock issued under Management incentive and Stock option plans			8.5		12.6		21.1
	Translation adjustments						(26.4)	(26.4)
87	Balance at July 30, Year 9	—	20.3	50.8	1,775.8	(70.7)	2.1	1,778.3
	Net earnings				4.4			4.4
	Cash dividends ($.98 per share)				(126.9)			(126.9)
	Treasury stock purchased					(41.1)		(41.1)
	Treasury stock issued under Management incentive and Stock option plans			11.1		4.6		15.7
	Translation adjustments						61.4	61.4
	Balance at July 29, Year 10	—	20.3	61.9	1,653.3	(107.2)	63.5	1,691.8
88	**Net earnings**				***401.5***			***401.5***
89	**Cash dividends ($1.12 per share)**				***(142.2)***			***(142.2)***
90	**Treasury stock purchased**					***(175.6)***		***(175.6)***
91	**Treasury stock issued under Management incentive and Stock option plans**			***45.4***		***12.4***		***57.8***
92	**Translation adjustments**						***(29.9)***	***(29.9)***
93	**Sale of foreign operations**						***(10.0)***	***(10.0)***
94	**Balance at July 28, Year 11**	—	***$20.3***	***$107.3***	***$1,912.6***	***$(270.4)***	***$23.6***	***$1,793.4***

95 **Changes in Number of Shares**

(thousands of shares)

	Issued	Out-standing	In Treasury
Balance at July 31, Year 8	135,622.7	129,038.6	6,584.1
Treasury stock purchased		(250.6)	250.6
Treasury stock issued under Management incentive and Stock option plans		790.6	(790.6)
Balance at July 30, Year 9	135,622.7	129,578.6	6,044.1
Treasury stock purchased		(833.0)	833.0
Treasury stock issued under Management incentive and Stock option plans		523.4	(523.4)
Balance at July 29, Year 10	135,622.7	129,269.0	6,353.7
Treasury stock purchased		***(3,395.4)***	***3,395.4***
Treasury stock issued under Management incentive and Stock option plans		***1,130.2***	***(1,130.2)***
Balance at July 28, Year 11	***135,622.7***	***127,003.8***	***8,618.9***

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(million dollars)

96 **1 Summary of Significant Accounting Policies**

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

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

Intangibles. The excess of cost of investments over net assets of purchased companies is amortized on a straight-line basis over periods not exceeding forty years.

Plant Assets. Alterations and major overhauls which substantially extend the lives of properties or materially increase their capacity are capitalized. The amounts for property disposals are removed from plant asset and accumulated depreciation accounts and any resultant gain or loss is included in earnings. Ordinary repairs and maintenance are charged to operating costs.

Depreciation. Depreciation provided in costs and expenses is on the straight-line method. The United States, Canadian and certain other foreign companies use accelerated methods of depreciation for income tax purposes.

Pension Plans. Pension costs are accrued over employees' careers based on plan benefit formulas.

Cash and Cash Equivalents. All highly liquid debt instruments purchased with a maturity of three months or less are classified as Cash Equivalents.

Financial Instruments. In managing interest rate exposure, the Company at times enters into interest rate swap agreements. When interest rates change, the difference to be paid or received is accrued and recognized as interest expense over the life of the agreement. In order to hedge foreign currency exposures on firm commitments, the Company at times enters into forward foreign exchange contracts. Gains and losses resulting from these instruments are recognized in the same period as the underlying hedged transaction. The Company also at times enters into foreign currency swap agreements which are effective as hedges of net investments in foreign subsidiaries. Realized and unrealized gains and losses on these currency swaps are recognized in the Cumulative Translation Adjustments account in Shareowners' Equity.

97 **2 Geographic Area Information**

The Company is predominantly engaged in the prepared convenience foods industry. The following presents information about operations in different geographic areas:

	Year 11	Year 10	Year 9
Net sales			
United States	***$4,495.6***	$4,527.2	$4,233.4
Europe	***1,149.1***	1,101.4	983.7
Other foreign countries	***656.0***	673.6	542.9
Adjustment and elimination	***(96.6)***	(96.4)	(87.9)
Consolidated	***$6,204.1***	$6,205.8	$5,672.1
Earnings (loss) before taxes			
United States	***$694.8***	$427.8	$294.5
Europe	***48.8***	(178.7)	(21.3)
Other foreign countries	***55.0***	44.6	(59.6)
	798.6	293.7	213.6
Unallocated corporate expenses	***(41.1)***	(16.5)	(31.3)
Interest, net	***(90.2)***	(94.0)	(55.8)
Foreign currency translation adjustment	***.1***	(3.8)	(20.0)
Consolidated	***$667.4***	$179.4	$106.5
Identifiable assets			
United States	***$2,693.4***	$2,535.0	$2,460.5
Europe	***711.3***	942.2	886.9
Other foreign countries	***744.3***	638.4	584.7
Consolidated	***$4,149.0***	$4,115.6	$3,932.1

Transfers between geographic areas are recorded at cost plus markup or at market. Identifiable assets are all assets identified with operations in each geographic area.

3 Interest Expense

	Year 11	Year 10	Year 9
98 Interest expense	***$136.9***	$121.9	$97.6
99 Less interest expense capitalized	***20.7***	10.3	3.5
100	***$116.2***	$111.6	$94.1

CAMPBELL SOUP COMPANY

(million dollars)

101 **4 Foreign Currency Translation**

Fluctuations in foreign exchange rates resulted in decreases in net earnings of $.3 in Year 11, $3.2 in Year 10 and $19.1 in Year 9.

The balances in the Cumulative translation adjustments account are the following:

	Year 11	Year 10	Year 9
Europe	***$ 5.6***	$43.2	$(3.5)
Canada	***3.8***	3.6	(2.5)
Australia	***13.4***	16.1	7.3
Other	***.8***	.6	.8
	$23.6	$63.5	$ 2.1

5 Other Expense

Included in other expense are the following:

	Year 11	Year 10	Year 9
102 Stock price related incentive programs	***$15.4***	$ (.1)	$17.4
103 Amortization of intangible and other assets	***14.1***	16.8	16.4
104 Other, net	***(3.3)***	(2.0)	(1.4)
	$26.2	$14.7	$32.4

105 **6 Divestitures, Restructuring and Unusual Charges**

In Year 10, charges for divestiture and restructuring programs, designed to strengthen the Company's core businesses and improve long-term profitability, reduced operating earnings by $339.1; $301.6 after taxes, or $2.33 per share. The divestiture program involves the sale of several low-return or non-strategic businesses. The restructuring charges provide for the elimination of underperforming assets and unnecessary facilities and include a charge of $113 to write off goodwill in the United Kingdom.

In Year 9, charges for a worldwide restructuring program reduced operating earnings by $343.0; $260.8 after taxes, or $2.02 per share. The restructuring program involved plant consolidations, work force reductions, and goodwill write-offs.

106 **7 Acquisitions**

Prior to July Year 11, the Company owned approximately 71% of the capital stock of Campbell Soup Company Ltd. ("Campbell Canada"), which processes, packages and distributes a wide range of prepared foods exclusively in Canada under many of the Company's brand names. The financial position and results of operations of Campbell Canada are consolidated with those of the Company. In July Year 11, the Company acquired the remaining shares (29%) of Campbell Canada which it did not already own at a cost of $159.7. In addition, the Company made one other acquisition at a cost of $20.4. The total cost of Year 11 acquisitions of $180.1 was allocated as follows:

107

Working capital	$ 5.1
Fixed assets	4.7
Intangibles, principally goodwill	132.3
Other assets	1.5
Elimination of minority interest	36.5
	$180.1

During Year 10 the Company made several small acquisitions at a cost of $43.1 which was allocated as follows:

108

Working capital	$ 7.8
Fixed assets	24.7
Intangibles, principally goodwill	18.5
Long-term liabilities and other	(7.9)
	$43.1

During Year 9, the Company made several acquisitions at a cost of $137.9, including a soup and pickle manufacturing business in Canada. The cost of the acquisitions was allocated as follows:

109

Working capital	$ 39.9
Fixed assets	34.6
Intangibles, principally goodwill	65.5
Long-term liabilities and other	(2.1)
	$137.9

These acquisition were accounted for as purchase transactions, and operations of the acquired companies are included in the financial statements from the dates the acquisitions were recorded. Proforma results

of operations have not been presented as they would not vary materially from the reported amounts and would not be indicative of results anticipated following acquisition due to significant changes made to acquired companies' operations.

110 **8 Pension Plans and Retirement Benefits**

Pension Plans. Substantially all of the employees of the Company and its domestic and Canadian subsidiaries are covered by noncontributory defined benefit pension plans. Plan benefits are generally based on years of service and employees' compensation during the last years of employment. Benefits are paid from funds previously provided to trustees and insurance companies or are paid directly by the Company or its subsidiaries. Actuarial assumptions and plan provisions are reviewed regularly by the Company and its independent actuaries to ensure that plan assets will be adequate to provide pension and survivor benefits. Plan assets consist primarily of shares of or units in common stock, fixed income, real estate and money market funds.

Pension expense included the following:

		Year 11	Year 10	Year 9
	For Domestic and Canadian trusteed plans:			
111	Service cost-benefits earned during the year	***$ 22.1***	$ 19.3	$ 17.2
112	Interest cost on projected benefit obligation	***69.0***	63.3	58.8
113	Actual return on plan assets	***(73.4)***	(27.1)	(113.8)
114	Net amortization and deferral	***6.3***	(38.2)	57.8
		24.0	17.3	20.0
115	Other pension expense	***7.4***	6.4	6.8
116	Consolidated pension expense	***$ 31.4***	$ 23.7	$ 26.8

Principal actuarial assumptions used in the United States were:

	Measurements of projected benefit obligation—			
117	Discount rate	***8.75%***	9.00%	9.00%
118	Long-term rate of compensation increase	***5.75%***	5.50%	5.00%
119	Long-term rate of return on plan assets	***9.00%***	9.00%	9.00%

The funded status of the plans was as follows:

120	***July 28, Year 11***	July 29, Year 10
Actuarial present value of benefit obligations:		
Vested	***$(679.6)***	$(624.4)
Non-vested	***(34.8)***	(35.0)
Accumulated benefit obligation	***(714.4)***	(659.4)
Effect of projected future salary increases	***(113.3)***	(101.0)
Projected benefit obligation	***(827.7)***	(760.4)
Plan assets at market value	***857.7***	773.9
Plan assets in excess of projected benefit obligation	***30.0***	13.5
Unrecognized net loss	***122.9***	86.3
Unrecognized prior service cost	***54.9***	55.9
Unrecognized net assets at transition	***(35.3)***	(39.5)
Prepaid pension expense	***$ 172.5***	$ 116.2

Pension coverage for employees of the Company's foreign subsidiaries, other than Canada, and other supplemental pension benefits of the Company are provided to the extent determined appropriate through their respective plans. Obligations under such plans are systematically provided for by depositing funds with trusts or under insurance contracts. The assets and obligations of these plans are not material.

Savings Plans. The Company sponsors employee savings plans which cover substantially all domestic employees. After one year of continuous service the Company matches 50% of employee contributions up to five percent of compensation within certain limits. In fiscal Year 12, the Company will increase its contribution by up to 20% if certain earnings' goals are achieved. Amounts charged to costs and expenses were $10.0 in Year 11, $10.6 in Year 10, and $10.7 in Year 9.

Retiree Benefits. The Company and its domestic subsidiaries provide certain health care and life insurance benefits to substantially all retired employees and their dependents. The cost of these retiree health and life insurance benefits are expensed as claims are paid and amounted to $15.3 in Year 11, $12.6 in Year 10, and $11.0 in Year 9. Substantially all retirees of foreign subsidiaries are provided health care benefits by government sponsored plans. The cost of life insurance provided to retirees of certain foreign subsidiaries is not significant.

CAMPBELL SOUP COMPANY

(million dollars)

121 **9 Taxes on Earnings**

The provision for income taxes consists of the following:

		Year 11	Year 10	Year 9
	Currently payable			
122	Federal	***$185.8***	$132.4	$118.8
123	State	***23.4***	20.8	20.9
124	Foreign	***21.2***	17.9	21.5
124A		***230.4***	171.1	161.2
	Deferred			
125	Federal	***21.9***	1.2	(49.3)
126	State	***7.5***	2.6	(8.0)
127	Foreign	***6.1***	.1	(10.5)
127A		***35.5***	3.9	(67.8)
127B		***$265.9***	$175.0	$ 93.4

The deferred income taxes result from temporary differences between financial statement earnings and taxable earnings as follows:

		Year 11	Year 10	Year 9
128	Depreciation	***$ 5.9***	$ 18.6	$ 11.9
129	Pensions	***13.6***	11.7	8.3
130	Prefunded employee benefits	***(3.3)***	(4.8)	(3.4)
131	Accruals not currently deductible for tax purposes	***(11.4)***	(5.8)	(5.3)
132	Divestitures, restructuring and unusual charges	***29.3***	(11.1)	(78.2)
133	Other	***1.4***	(4.7)	(1.1)
		$35.5	$ 3.9	$(67.8)

The following is a reconciliation of effective income tax rates with the statutory Federal income tax rate:

		Year 11	Year 10	Year 9
134	Statutory Federal income tax rate	***34.0%***	34.0%	34.0%
135	State income taxes (net of Federal tax benefit)	***3.0***	3.7	3.6
136	Nondeductible divestitures, restructuring and unusual charges		56.5	48.7
137	Nondeductible amortization of intangibles	***.6***	.9	1.1
138	Foreign earnings not taxed or taxed at other than statutory Federal rate	***(.3)***	1.2	.2
139	Other	***2.5***	1.2	.1
140	Effective income tax rate	***39.8%***	97.5%	87.7%

The provision for income taxes was reduced by $3.2 in Year 11, $5.2 in Year 10 and $3.5 in Year 9 due to the utilization of loss carryforwards by certain foreign subsidiaries.

Certain foreign subsidiaries of the Company have tax loss carryforwards of approximately $103.4 ($77.4 for financial purposes), of which $10.5 relate to periods prior to acquisition of the subsidiaries by the Company. Of these carryforwards, $54.8 expire through Year 16 and $48.6 may be carried forward indefinitely. The current statutory tax rates in these foreign countries range from 20% to 51%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(million dollars)

Income taxes have not been accrued on undistributed earnings of foreign subsidiaries of $219.7 which are invested in operating assets and are not expected to be remitted. If remitted, tax credits are available to substantially reduce any resultant additional taxes.

The following are earnings before taxes of United States and foreign companies.

		Year 11	Year 10	Year 9
141	United States	***$570.9***	$277.0	$201.5
142	Foreign	***96.5***	(97.6)	(95.0)
		$667.4	$179.4	$106.5

143 **10 Leases**

Rent expense was $59.7 in Year 11, $62.4 in Year 10 and $60.2 in Year 9 and generally relates to leases of machinery and equipment. Future minimum lease payments under operating leases are $71.9.

11 Supplementary Statements of Earnings Information

		Year 11	Year 10	Year 9
144	Maintenance and repairs	***$173.9***	$180.6	$173.9
145	Advertising	***$195.4***	$220.4	$212.9

146 **12 Cash and Cash Equivalents**

Cash and Cash Equivalents includes cash equivalents of $140.7 at July 28, Year 11, and $44.1 at July 29, Year 10.

13 Accounts Receivable

		Year 11	Year 10
147	Customers	***$478.0***	$554.0
148	Allowances for cash discounts and bad debts	***(16.3)***	(19.9)
		461.7	534.1
149	Other	***65.7***	90.4
150		***$527.4***	$624.5

14 Inventories

		Year 11	Year 10
151	Raw materials, containers and supplies	***$342.3***	$384.4
152	Finished products	***454.0***	520.0
		796.3	904.4
153	Less—adjustments of inventories to LIFO basis	***89.6***	84.6
		$706.7	$819.8

Liquidation of LIFO inventory quantities had no significant effect on net earnings in Year 11, Year 10, or Year 9. Inventories for which the LIFO method of determining cost is used represented approximately 70% of consolidated inventories in Year 11 and 64% in Year 10.

15 Prepaid Expenses

		Year 11	Year 10
154	Pensions	***$19.8***	$ 22.3
155	Deferred taxes	***36.6***	37.7
156	Prefunded employee benefits	***1.2***	13.9
157	Other	***35.1***	44.1
		$92.7	$118.0

16 Plant Assets

		Year 11	Year 10
158	Land	***$ 56.3***	$ 63.8
159	Buildings	***758.7***	746.5
160	Machinery and equipment	***1,779.3***	1,657.6
161	Projects in progress	***327.6***	267.0
161A		***2,921.9***	2,734.9
162	Accumulated depreciation	***(1,131.5)***	(1,017.2)
		$1,790.4	$1,717.7

Depreciation provided in costs and expenses was $194.5 in Year 11, $184.1 in Year 10 and $175.9 in Year 9. Approximately $158.2 of capital expenditures is required to complete projects in progress at July 28, Year 11.

CAMPBELL SOUP

CAMPBELL SOUP COMPANY

(million dollars)

17 Intangible Assets

		Year 11	Year 10
163	Cost of investments in excess of net assets of purchased companies (goodwill)	***$347.8***	$281.1
164	Other intangibles	***129.8***	134.0
		477.6	415.1
165	Accumulated amortization	***(42.1)***	(31.7)
		$435.5	$383.4

18 Other Assets

		Year 11	Year 10
166	Investment in affiliates	***$155.8***	$169.4
167	Noncurrent prepaid pension expense	***152.7***	93.9
168	Other noncurrent investments	***44.2***	52.0
169	Other	***51.9***	33.7
169A		***$404.6***	$349.0

Investment in affiliates consists principally of the Company's ownership of 33% of the outstanding capital stock of Arnotts Limited, an Australian biscuit manufacturer. This investment is being accounted for by the equity method. Included in this investment is goodwill of $28.3 which is being amortized over 40 years. At July 28, Year 11, the market value of the investment based on quoted market prices was $213.8. The Company's equity in the earnings of Arnotts Limited was $1.5 in Year 11, $13.0 in Year 10 and $8.7 in Year 9. The Year 10 amount includes a $4.0 gain realized by Arnotts on the sales of businesses. Dividends received were $8.2 in Year 11, $7.4 in Year 10 and $6.6 in Year 9. The Company's equity in the undistributed earnings of Arnotts was $15.4 at July 28, Year 11 and $22.1 at July 29, Year 10.

170

19 Notes Payable and Long-term Debt

Notes payable consists of the following:

	Year 11	Year 10
Commercial paper	***$ 24.7***	$191.8
8.25% Notes due Year 11		100.3
13.99% Notes due Year 12	***182.0****	
Banks	***23.6***	91.1
Other	***51.9***	69.4
Amounts reclassified to long-term debt		(250.3)
	$282.2	$202.3

**Present value of $200.0 zero coupon notes, net of unamortized discount of $18.0.*

At July 29, Year 10, $150 of outstanding commercial paper and $100.3 of currently maturing notes were reclassified to long-term debt and were refinanced in Year 11.

Information on notes payable follows:

171	*Year 11*	Year 10	Year 9
Maximum amount payable at end of any monthly accounting period during the year	***$603.3***	$518.7	$347.1
Approximate average amount outstanding during the year	***$332.5***	$429.7	$273.5
Weighted average interest rate at year-end	***10.1%***	10.7%	12.1%
Approximate weighted average interest rate during the year	***9.8%***	10.8%	10.6%

The amount of unused lines of credit at July 28, Year 11 approximates $635. The lines of credit are unconditional and generally cover loans for a period of a year at prime commercial interest rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(million dollars)

Long-term debt consists of the following:

172

Fiscal year maturities	Year 11	Year 10
13.99% Notes due Year 12	**$**	$159.7***
9.125% Notes due Year 14	**100.6**	100.9
10.5% Notes due Year 16*	**100.0**	100.0
7.5% Notes due Year 18*	**99.6**	99.5
9.0% Notes due Year 18	**99.8**	
8.58%–8.75% Medium-Term Notes due Year 21**	**100.0**	
8.875% Debentures due Year 41	**199.6**	
Other Notes due Year 12–24 (interest 4.7%–14.4%)	**58.2**	82.5
Notes payable, reclassified		250.3
Capital lease obligations	**14.8**	12.9
	$772.6	$805.8

*Redeemable in Year 13.
**$50 redeemable in Year 18.
***Present value of $200.0 zero coupon notes, net of unamortized discount of $40.3.

173 Future minimum lease payments under capital leases are $28.0 and the present value of such payments, after deducting implicit interest of $6.5, is $21.5 of which $6.7 is included in current liabilities.

Principle amounts of long-term debt mature as follows: Year 12-$227.7 (in current liabilities); Year 13-$118.9; Year 14-$17.8; Year 15-$15.9; Year 16-$108.3 and beyond-$511.7.

The Company has filed a shelf registration statement with the Securities and Exchange Commission for the issuance from time to time of up to $300 of debt securities, of which $100 remains unissued.

Information on financial instruments follows:

At July 28, Year 11, the Company had an interest rate swap agreement with financial institutions having a notional principal amount of $100, which is intended to reduce the impact of changes in interest rates on floating rate commercial paper. In addition, at July 28, Year 11, the Company had two swap agreements with financial institutions which covered both interest rates and foreign currencies. These agreements have a total notional principal amount of $103, and are intended to reduce exposure to higher foreign interest rates and to hedge the Company's net investments in the United Kingdom and Australia. The Company is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreements; however, the Company does not anticipate nonperformance by the counterparties.

At July 28, Year 11, the Company had contracts to purchase approximately $109 in foreign currency. The contracts are mostly for European currencies and have maturities through Year 12.

20 Accrued Liabilities

	Year 11	Year 10
174 Divestiture and restructuring charges	**$ 88.4**	$238.8
175 Other	**320.3**	253.1
	$408.7	$491.9

21 Other Liabilities

	Year 11	Year 10
176 Deferred income taxes	**$258.5**	$235.1
177 Other liabilities	**23.0**	28.5
178 Minority interests	**23.5**	56.3
	$305.0	$319.9

CAMPBELL SOUP COMPANY

(million dollars)

179 **22 Shareowners' Equity**

The Company has authorized 140 million shares of Capital Stock of $.15 par value and 40 million shares of Preferred Stock issuable in one or more classes, with or without par as may be authorized by the Board of Directors. No Preferred Stock has been issued.

The following summarizes the activity in option shares under the Company's employee stock option plans:

(thousands of shares)	***Year 11***	Year 10	Year 9
Beginning of year	***4,301.1***	3,767.9	3,257.0
Granted under the Year 4 long-term incentive plan at average price of $63.64 in Year 11; $47.27 in Year 10; $30.37 in Year 9	***2,136.3***	1,196.0	1,495.5
Exercised at average price of $29.82 in Year 11; $24.78 in Year 10; $20.65 in Year 9 in form of:			
Stock appreciation rights	***(14.9)***	(110.2)	(137.3)
Shares	***(1,063.7)***	(367.2)	(615.1)
Terminated	***(216.9)***	(185.4)	(232.2)
End of year	***5,141.9***	4,301.1	3,767.9
Exercisable at end of year	***2,897.0***	2,654.4	2,104.1
Shares under option-price per share:			
Range of prices: Low	***$14.68***	$ 6.98	$ 6.98
High	***$83.31***	$57.61	$34.31
Average	***$46.73***	$33.63	$28.21

In addition to options granted under the Year 4 long-term incentive plan, 233,200 restricted shares of capital stock were granted to certain key management employees in Year 11; 168,850 in Year 10; and 162,000 in Year 9.

There are 4,229,111 shares available for grant under the long-term incentive plan.

Net earnings per share are based on the weighted average shares outstanding during the applicable periods. The potential dilution from the exercise of stock options is not material.

23 Statements of Cash Flows

	Year 11	Year 10	Year 9
180 Interest paid, net of amounts capitalized	***$101.3***	$116.3	$ 88.9
181 Interest received	***$ 27.9***	$ 17.1	$ 35.5
182 Income taxes paid	***$199.3***	$152.8	$168.6
183 Capital lease obligations incurred	***$ 10.0***	$ 9.7	$ 18.0

184 **24 Quarterly Data (unaudited)**

	Year 11			
	First	***Second***	***Third***	***Fourth***
Net sales	***$1,594.3***	***$1,770.9***	***$1,490.8***	***$1,348.1***
Cost of products sold	***1,082.7***	***1,152.6***	***981.6***	***878.6***
Net earnings	***105.1***	***135.3***	***76.4***	***84.7***
Per share				
Net earnings	***.82***	***1.07***	***.60***	***.67***
Dividends	***.25***	***.29***	***.29***	***.29***
Market price				
High	***54.00***	***60.38***	***87.13***	***84.88***
Low	***43.75***	***48.50***	***58.75***	***72.38***

	Year 10			
	First	***Second***	***Third***	***Fourth***
Net sales	$1,523.5	$1,722.5	$1,519.6	$1,440.2
Cost of products sold	1,057.2	1,173.0	1,049.3	978.7
Net earnings (loss)	83.0	105.2	54.6	(238.4)
Per share				
Net earnings (loss)	.64	.81	.42	(1.84)
Dividends	.23	.25	.25	.25
Market price				
High	58.50	59.63	54.13	62.00
Low	42.13	42.50	45.00	50.13

The fourth quarter of Year 10 includes divestitures, restructuring and unusual charges of $301.6 after taxes, or $2.33 per share.

CAMPBELL SOUP COMPANY

Eleven Year Review—Consolidated

(millions except per share amounts)

185

Fiscal Year	***Year 11***	Year 10[a]	Year 9[b]
Summary of Operations			
Net sales	***$6,204.1***	$6,205.8	$5,672.1
Earnings before taxes	***667.4***	179.4	106.5
Earnings before cumulative effect of accounting change	***401.5***	4.4	13.1
Net earnings	***401.5***	4.4	13.1
Percent of sales	***6.5%***	.1%	.2%
Return on average shareowners' equity	***23.0%***	.3%	.7%
Financial Position			
Working capital	***$ 240.5***	$ 367.4	$ 369.4
Plant assets–net	***1,790.4***	1,717.7	1,540.6
Total assets	***4,149.0***	4,115.6	3,932.1
Long-term debt	***772.6***	805.8	629.2
Shareowners' equity	***1,793.4***	1,691.8	1,778.3
Per Share Data			
Earnings before cumulative effect of accounting change	***$ 3.16***	$ .03	$ .10
Net earnings	***3.16***	.03	.10
Dividends declared	***1.12***	.98	.90
Shareowners' equity	***14.12***	13.09	13.76
Other Statistics			
Salaries, wages, pensions, etc.	***$1,401.0***	$1,422.5	$1,333.9
Capital expenditures	***371.1***	397.3	302.0
Number of shareowners (in thousands)	***37.7***	43.0	43.7
Weighted average shares outstanding	***127.0***	129.6	129.3

(a) Year 10 includes pre-tax divestiture and restructuring charges of $339.1 million; 301.6 million or $2.33 per share after taxes.
(b) Year 9 includes pre-tax restructuring charges of $343.0 million; $260.8 million or $2.02 per share after taxes.
(c) Year 8 includes pre-tax restructuring charges of $49.3 million; $29.4 million or 23 cents per share after taxes. Year 8 also includes cumulative effect of change in accounting for income taxes of $32.5 million or 25 cents per share.
(d) Includes employees under the Employee Stock Ownership Plan terminated in Year 7.

CAMPBELL SOUP

CAMPBELL SOUP COMPANY

Year 8[c]	Year 7	Year 6	Year 5	Year 4	Year 3	Year 2	Year 1
$4,868.9	*$4,490.4*	*$4,286.8*	*$3,916.6*	*$3,636.9*	*$3,292.4*	*$2,955.6*	*$2,797.7*
388.6	*417.9*	*387.2*	*333.7*	*332.4*	*306.0*	*276.9*	*244.4*
241.6	*247.3*	*223.2*	*197.8*	*191.2*	*165.0*	*149.6*	*129.7*
274.1	*247.3*	*223.2*	*197.8*	*191.2*	*165.0*	*149.6*	*129.7*
5.6%	*5.5%*	*5.2%*	*5.1%*	*5.3%*	*5.0%*	*5.1%*	*4.6%*
15.1%	*15.1%*	*15.3%*	*15.0%*	*15.9%*	*15.0%*	*14.6%*	*13.2%*
$ 499.6	$ 744.1	$ 708.7	$ 579.4	$ 541.5	$ 478.9	$ 434.6	$ 368.2
1,508.9	1,349.0	1,168.1	1,027.5	970.9	889.1	815.4	755.1
3,609.6	3,097.4	2,762.8	2,437.5	2,210.1	1,991.5	1,865.5	1,722.9
525.8	380.2	362.3	297.1	283.0	267.5	236.2	150.6
1,895.0	1,736.1	1,538.9	1,382.5	1,259.9	1,149.4	1,055.8	1,000.5
$ 1.87	$ 1.90	$ 1.72	$ 1.53	$ 1.48	$ 1.28	$ 1.16	$ 1.00
2.12	1.90	1.72	1.53	1.48	1.28	1.16	1.00
.81	.71	.65	.61	.57	.54	.53	.51
14.69	13.35	11.86	10.69	9.76	8.92	8.19	7.72
$1,222.9	$1,137.3	$1,061.0	$ 950.1	$ 889.5	$ 755.1	$ 700.9	$ 680.9
261.9	328.0	251.3	212.9	183.1	154.1	147.6	135.4
43.0	41.0	50.9[d]	49.5(d)	49.4(d)	40.1	39.7	41.6
129.4	129.9	129.5	129.1	129.0	129.0	129.0	129.6

CAMPBELL SOUP

186 **CAMPBELL SOUP COMPANY AND CONSOLIDATED SUBSIDIARIES**
Property, Plant, and Equipment at Cost

(million dollars)	Land	Buildings	Machinery and Equipment	Projects in Progress	Total
Balance at July 31, Year 8	$53.2	$735.5	$1,624.4	$126.6	$2,539.7
Additions	2.8	47.6	216.4	35.2	302.0
Acquired assets*	4.8	13.6	22.6	—	41.0
Retirements and sales	(4.5)	(88.4)	(238.3)	—	(331.2)
Translation adjustments	(.5)	(2.5)	(5.9)	.4	(8.5)
Balance at July 30, Year 9	55.8	705.8	1,619.2	162.2	2,543.0
Additions	3.2	69.2	219.6	105.3	397.3
Acquired assets*	3.8	14.1	6.8	—	24.7
Retirements and sales	(2.8)	(64.0)	(222.9)	(1.1)	(290.8)
Translation adjustments	3.8	21.4	34.9	.6	60.7
Balance at July 29, Year 10	63.8	746.5	1,657.6	267.0	2,734.9
Additions	1.5	70.2	239.5	59.9	371.1
Acquired assets*	.5	3.3	.9	—	4.7
Retirements and sales	(7.5)	(49.3)	(99.9)	—	(156.7)
Rate variance	(2.0)	(12.0)	(18.8)	.7	(32.1)
Balance at July 28, Year 11	$56.3	$758.7	$1,779.3	$327.6	$2,921.9

*See "Acquisitions" in Notes to Consolidated Financial Statements.

187 **Form 10-K**

CAMPBELL SOUP COMPANY AND CONSOLIDATED SUBSIDIARIES
Accumulated Depreciation and Amortization of Property, Plant and Equipment

(million dollars)	Buildings	Machinery and Equipment	Total
Balance at July 31, Year 8	$285.4	$745.4	$1,030.8
Additions charged to income	31.5	144.4	175.9
Retirements and sales	(57.8)	(143.5)	(201.3)
Translations adjustments	(.8)	(2.2)	(3.0)
Balance at July 30, Year 9	258.3	744.1	1,002.4
Additions charged to income	34.2	149.9	184.1
Retirements and sales	(32.5)	(154.7)	(187.2)
Translations adjustments	5.2	12.7	17.9
Balance at July 29, Year 10	265.2	752.0	1,017.2
Additions charged to income	35.3	159.2	194.5
Retirements and sales	(17.4)	(52.1)	(69.5)
Translations adjustments	(2.8)	(7.9)	(10.7)
Balance at July 28, Year 11	$280.3	$851.2	$1,131.5