



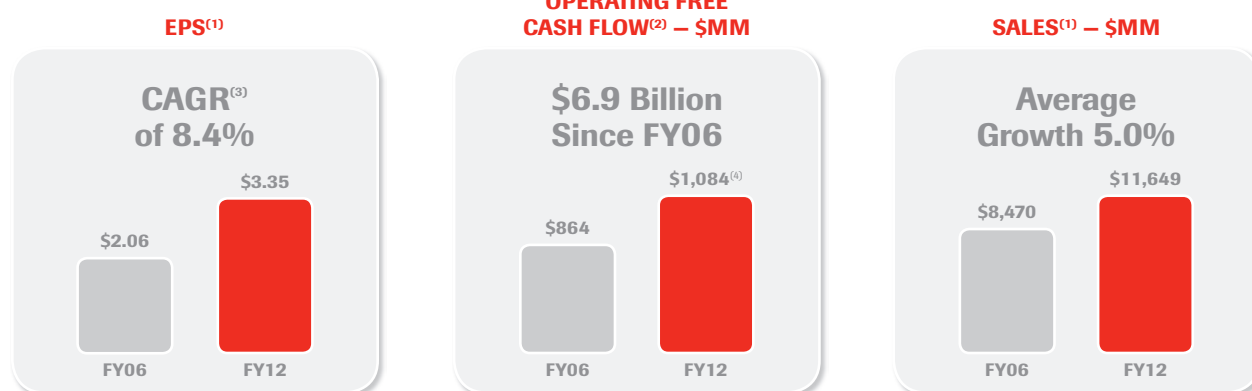
2012 Annual Report



Growing Ketchup Globally

## Financial Highlights\*

### Historical Growth Summary



(1) Amounts are continuing operations, FY06 and FY12 EPS exclude special items

(2) Operating Free Cash Flow is cash from operations less capital expenditures net of proceeds from disposals of PP&E

(3) CAGR = Compound Annual Growth Rate

(4) Operating Free Cash Flow excluding cash paid for productivity initiatives was \$1.21 billion

## H.J. Heinz Company and Subsidiaries\*

	2012	2011
(Dollars in thousands, except per share amounts)	(52 <sup>1</sup> / <sub>2</sub> Weeks)	(52 Weeks)
Sales	\$11,649,079	\$10,706,588
Operating income <sup>(1)</sup>	1,451,168	1,648,190
Net income <sup>(1)(2)</sup>	923,159	989,510
<b>Per common share amounts:</b>		
Net income <sup>(1)(2)</sup> – diluted	\$ 2.85	\$ 3.06
Cash dividends	\$ 1.92	\$ 1.80
Cash from operations	\$ 1,493,117	\$ 1,583,643
Capital expenditures	418,734	335,646
Proceeds from disposals of property, plant and equipment (PP&E)	9,817	13,158
Depreciation and amortization	342,793	298,660
Property, plant and equipment, net	2,484,138	2,505,083
Cash and cash equivalents	\$ 1,330,441	\$ 724,311
Cash conversion cycle (days)	42	42
Total debt	5,026,689	4,613,060
H.J. Heinz Company Shareholders' equity	2,758,589	3,108,962
Average common shares outstanding – diluted (in thousands)	323,321	323,042
Return on average invested capital (ROIC)	16.8% <sup>(1)</sup>	19.3%
Debt/invested capital	64.6%	59.7%

See Management's Discussion and Analysis for details.

(1) Fiscal 2012 includes charges for productivity initiatives related to severance, asset write-downs and other implementation costs. Such charges were \$224 million pre-tax and \$163 million after-tax or \$0.50 per share

(2) Amounts are attributable to H.J. Heinz Company shareholders

\* Please refer to the "Non-GAAP Measures" section of Item 7 of the Form 10-K or the Non-GAAP Performance Ratios at the end of this Annual Report for reconciliations of Non-GAAP amounts.

## Dear Fellow Shareholder:

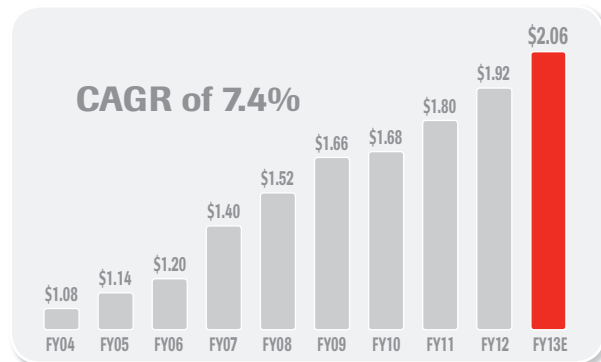
I am pleased to report that Heinz delivered record results in Fiscal 2012 as we successfully adapted to the changing and challenging consumer and economic environment while driving impressive growth in Ketchup & Sauces and Emerging Markets.

In the year ending April 29, 2012, Heinz:

- Grew sales 9% to a record \$11.6 billion;
- Delivered record net income of \$1.09 billion, excluding productivity charges, while reported net income was \$923 million after charges;
- Generated strong operating free cash flow<sup>(1)</sup> of more than \$1 billion for the third consecutive year, providing the fuel for continued top-tier dividend growth; and
- Generated a record 21% of sales from Emerging Markets.

Importantly, we increased the annualized common stock dividend for Fiscal 2013 by more than 7% to \$2.06 per share. This increase reflects our solid results over the past seven years and continued confidence in our proven growth plan. It marks our ninth consecutive year of dividend growth, during which time we will have returned more than \$5 billion in dividends to shareholders.

## GROWING THE DIVIDEND



## Consumer & Economic Environment

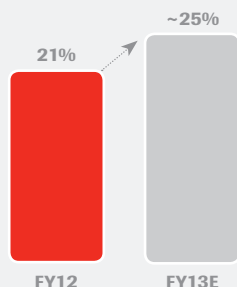
Before discussing our strategy and expectations for Fiscal 2013, I want to share my perspective on the difficult consumer and economic environment. Consumers in Developed Markets are relentlessly focused on reducing debt and saving money in the wake of the recession. Across the economic spectrum, especially in the United States, they have become more disciplined, frugal and focused on price and value, a trend I see continuing this year. Many consumers are struggling and more food shoppers are moving from traditional supermarkets to alternate channels like club, dollar and drug stores in pursuit of value.

**William R. Johnson**  
*Chairman, President and  
Chief Executive Officer*



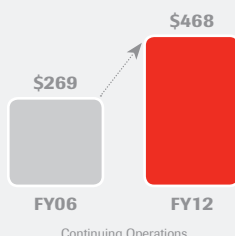
(1) Cash from operations less capital expenditures net of proceeds from disposals of PP&E

## EMERGING MARKETS % OF COMPANY SALES



## MARKETING INVESTMENT – \$MM

Increase of  
Almost 75%



## FISCAL 2012 RESULTS

Reported Sales	<b>\$11.6 billion</b>
Sales Growth	<b>8.8%</b>
Op. Free Cash Flow <sup>(1)(2)</sup>	<b>\$1.08 billion</b>

(1) Cash from operations less capital expenditures net of proceeds from disposals of PP&E

(2) Operating Free Cash Flow excluding cash paid for productivity initiatives was \$1.21 billion

These trends – combined with aging populations, smaller households and increasing ethnic diversity – are affecting purchasing behavior, package sizes, price points and innovation. Heinz is responding to these trends in a disciplined and measured manner. In the United States, we began launching smaller packages with more affordable price points, like our new 10-ounce Heinz® Ketchup pouch and other Heinz® condiments priced around \$1. We are offering a wide range of different product sizes and packaging around the world to meet the changing preferences, needs and budgets of consumers. We are also expanding distribution through alternate channels.

## Our Growth Strategy

The following are the key elements of our growth strategy in a changing world where two-thirds of our sales are now outside the United States:

1. Our predominant focus is on driving continued global growth in Ketchup & Sauces, our largest core category with sales of more than \$5 billion.
2. We are leveraging our advantaged, well-balanced geographic portfolio, led by our accelerating growth in Emerging Markets.
3. We are building and increasingly capitalizing on unique global capabilities and infrastructure to support continued growth and improved productivity.

## Ketchup & Sauces

It is no accident that Ketchup & Sauces dominates our portfolio. It is our crown jewel, our founder's legacy and our fastest-growing core category. Led by the Heinz® brand, Ketchup & Sauces delivered sales growth of almost 14% during the year. Importantly, about 25% of our sales in this category are in Emerging Markets, where we are growing in soy and chili sauces, as well as

Ketchup. This category represents the past and future of Heinz and we possess numerous competitive advantages, including rapidly growing businesses in Emerging Markets, upside potential in Developed Markets and our unique, proprietary HeinzSeed capabilities, which deliver superior, great-tasting tomatoes for Heinz® Ketchup & Sauces.





Heinz is winning where we choose to compete in Ketchup & Sauces, and we have only scratched the surface of this \$110 billion global category. Given our strong brands, market leadership and global scale, Heinz is well positioned in a world where demand for Ketchup & Sauces is growing in both Emerging and Developed Markets.

Heinz is number-one in Ketchup globally and second in sauces. Importantly, we are well positioned in virtually all of the top growth markets for Ketchup & Sauces, led by China, Venezuela and Brazil. Emerging



Markets account for seven of the top 10 markets, and the biggest opportunity is China, where our Ketchup & Sauces business, including our acquisition of Foodstar, more than doubled in Fiscal 2012.

Notably, we are proving that Heinz® Ketchup is far from mature after 136 years. In Fiscal 2012, our Global Ketchup business delivered excellent sales growth of 9.7% through innovation, increased distribution and continued expansion in Emerging Markets.

We are taking our iconic brand to new geographies like Brazil, where our 2011 acquisition of Quero®, a leading brand of tomato sauces and Ketchup, has provided a strong growth platform. We will begin manufacturing Heinz® Ketchup in Brazil this year to expand its availability. This plan is modeled after our successful growth strategy in Russia, where we have added manufacturing capabilities

It is no accident that Ketchup & Sauces dominates our portfolio. It is our crown jewel, our founder's legacy and our fastest-growing core category.



and become number-one in the world's third-largest Ketchup market.



Similarly, our acquisition of Foodstar in Fiscal 2011 expanded our presence in China's rapidly growing \$4 billion soy sauce market while providing a growth platform for Ketchup. We are expanding Foodstar's Master® brand soy sauce beyond its stronghold in southeast China. Our increasing global strength in sauces extends to Indonesia, where our ABC® soy and chili sauces are number-one and growing, powered by innovation and marketing.

## Packaging Innovation

I see packaging innovation as a key to global growth in Ketchup & Sauces. We have a number of exciting initiatives underway, including fully recyclable PlantBottle™ packaging in partnership with The Coca-Cola Company, which developed this technology; and Heinz® Dip & Squeeze® Ketchup, our dual-function foodservice package. We sold more than one billion packets of Dip & Squeeze® in the United States during the year, and it is a global priority for the Company.



I am enthused about Doy Pack, a flexible, economical pouch that we are using for products ranging from Heinz® Ketchup and mayonnaise to soy sauce, cheese sauce and baby food. This affordable pouch has helped to drive our growth in Emerging Markets and represents an opportunity for Developed Markets, too.



To drive new product development in Ketchup & Sauces, we are building an Innovation Center in Europe that will open later this year and plan to open a similar center in Asia within a few years.

## Other Core Categories

Beyond Ketchup & Sauces, we continue to look for opportunities to extend our profitable Infant/Nutrition business, which delivered more than \$1.2 billion in sales in Fiscal 2012, led by strong growth in China, India and Latin America. More than 40% of our Infant/Nutrition sales are in Emerging Markets.



In Meals & Snacks, our ambient portfolio – led by Heinz beans, soups and pasta meals – performed well, led by our strong business in the U.K., which leveraged innovations like Heinz® Squeeze & Stir Soup to enhance our number-one position. We took action during the year to streamline our frozen portfolio and refocus on core brands.



## The Heinz Brand

Just a word on the Heinz® brand, which generated strong growth and sales of almost \$4.5 billion for the year. Our brand is trusted worldwide and has earned a well-



deserved reputation for quality, nutrition, innovation and value. I'm proud to report that Heinz ranked first among all 225 companies across 47 industries in the 2011 American Customer Satisfaction Index.™

## Emerging Markets

Heinz was among the first U.S. food companies to recognize the potential of Emerging Markets. We have expanded our global footprint over the last 15 years through organic initiatives and our “buy-and-build” strategy to acquire and grow strong local brands. Our organic growth rate in Emerging Markets is among the best in our peer group. Emerging Markets generated a record 21% of our total sales in Fiscal 2012, up from

single digits a decade ago. I expect our sales in Emerging Markets to approach 25% in Fiscal 2013, and we are actively looking for new growth opportunities. Fueled by Emerging Markets and Ketchup & Sauces, Heinz has now delivered 28 consecutive quarters of organic<sup>(2)</sup> sales growth, a remarkable achievement.

## Global Scale

During the year, we made significant investments to drive productivity and leverage our global scale and capabilities. We began to regionalize our global supply chain and exited

11 factories around the world to make Heinz even more competitive.

## Fiscal 2013 Outlook

On May 24, 2012, Heinz announced our outlook for Fiscal 2013. We are making significant investments in marketing and productivity in Fiscal 2013 to help drive continued excellent performance. For the year, Heinz expects organic sales growth of at least 4% and growth of 5% to 8% in constant currency<sup>(3)</sup> earnings per share from continuing operations. We also expect strong operating free cash flow of more than \$1 billion.

Our outlook for Fiscal 2013 includes a 15% increase in marketing investment to help drive further growth in our core brands. In the next three to five years, I expect Ketchup & Sauces to approach 60% of our total sales and I see our sales in Emerging Markets doubling to approximately \$5 billion.

In closing, I want to thank the Board of Directors and our outstanding management team and employees for their commitment to enhancing shareholder value.

Finally, I want to thank you for investing in Heinz, which is proving, as our founder said, that “The world is our field,” especially in Ketchup & Sauces.

*Bill Johnson*

**William R. Johnson**

*Chairman, President and Chief Executive Officer*

(2) Volume plus price

(3) Excludes the impact of foreign currency translation and current year translation hedges

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-K**

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

For the fiscal year ended April 29, 2012

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-3385

**H. J. HEINZ COMPANY**

(Exact name of registrant as specified in its charter)

**PENNSYLVANIA**

(State of Incorporation)

**One PPG Place**

**Pittsburgh, Pennsylvania**

(Address of principal executive offices)

**25-0542520**

(I.R.S. Employer Identification No.)

**15222**

(Zip Code)

**412-456-5700**

(Registrant's telephone number)

**SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:**

<i>Title of each class</i>	<i>Name of each exchange on which registered</i>
Common Stock, par value \$.25 per share	The New York Stock Exchange
Third Cumulative Preferred Stock, \$1.70 First Series, par value \$10 per share	The New York Stock Exchange

**SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:**

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

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

As of October 26, 2011, the aggregate market value of the Registrant's voting stock held by non-affiliates of the Registrant was approximately \$16.9 billion.

The number of shares of the Registrant's Common Stock, par value \$.25 per share, outstanding as of May 31, 2012, was 320,337,764 shares.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on August 28, 2012, which will be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant's fiscal year ended April 29, 2012, are incorporated into Part III, Items 10, 11, 12, 13, and 14.

## PART I

### Item 1. Business.

H. J. Heinz Company was incorporated in Pennsylvania on July 27, 1900. In 1905, it succeeded to the business of a partnership operating under the same name which had developed from a food business founded in 1869 in Sharpsburg, Pennsylvania by Henry J. Heinz. H. J. Heinz Company and its subsidiaries (collectively, the "Company") manufacture and market an extensive line of food products throughout the world. The Company's principal products include ketchup, condiments and sauces, frozen food, soups, beans and pasta meals, infant nutrition and other food products.

The Company's products are manufactured and packaged to provide safe, wholesome foods for consumers, as well as foodservice and institutional customers. Many products are prepared from recipes developed in the Company's innovation and research centers. Ingredients are carefully selected, inspected and passed on to factory kitchens where they are processed, after which the intermediate product is filled automatically into containers of glass, metal, plastic, paper or fiberboard, which are then sealed. Products are prepared by sterilization, blending, fermentation, pasteurization, homogenization, chilling, freezing, pickling, drying, freeze drying, baking or extruding, then labeled and cased for market. Quality assurance procedures are designed for each product and process and applied for quality and compliance with applicable laws.

The Company manufactures (and contracts for the manufacture of) its products from a wide variety of raw food materials. Pre-season contracts are made with farmers for certain raw materials such as a portion of the Company's requirements of tomatoes, cucumbers, potatoes, onions and some other fruits and vegetables. Ingredients, such as dairy products, meat, sugar and other sweeteners, including high fructose corn syrup, spices, flour and fruits and vegetables, are purchased from approved suppliers.

During Fiscal 2012, the Company invested in productivity initiatives designed to increase manufacturing effectiveness and efficiency as well as accelerate overall productivity on a global scale. The initiatives included the closure of a number of factories worldwide and a reduction of the global workforce. See Note 3, "Productivity Initiatives" in Item 8- "Financial Statements and Supplementary Data" and the "Liquidity and Financial Position" section below for additional information on these productivity initiatives.

The following table lists the number of the Company's principal food processing factories and major trademarks by region as of May 31, 2012:

	<i>Factories</i>		<i>Major Owned and Licensed Trademarks</i>
	<i>Owned</i>	<i>Leased</i>	
North America	15	4	<i>Heinz, Classico, Quality Chef Foods, Jack Daniel's*, Catelli*, Wyler's, Heinz Bell 'Orto, Bella Rossa, Chef Francisco, Ore-Ida, Tater Tots, Bagel Bites, Weight Watchers* Smart Ones, Poppers, T.G.I. Friday's*, Delimex, Truesoups, Escalon, PPI, Todd's, Nancy's, Lea &amp; Perrins, Renee's Gourmet, HP, Diana, Bravo, Arthur's Fresh</i>
Europe	17	1	<i>Heinz, Orlando, Karvan Cevitam, Brinta, Roosvicee, Venz, Weight Watchers*, Farley's, Plasmon, Nipiol, Dieterba, Bi-Aglut, Aproten, Pudliszki, Ross, Honig, De Ruijter, Aunt Bessie*, Mum's Own, Moya Semya, Picador, Derevenskoye, Mechta Hoziajki, Lea &amp; Perrins, HP, Amoy*, Daddies, Squeezme!, Wyko, Benedicta</i>
Asia/Pacific	24	—	<i>Heinz, Tom Piper, Wattie's, ABC, Chef, Craig's, Winna, Hellaby, Hamper, Farley's, Greenseas, Gourmet, Nurture, LongFong, Ore-Ida, SinSin, Lea &amp; Perrins, HP, Classico, Weight Watchers*, Cottee's, Rose's*, Complian, Glucon D, Nycil, Golden Circle, La Bonne Cuisine, Original Juice Co., The Good Taste Company, Master, Guanghe</i>
Rest of World	7	2	<i>Heinz, Wellington's, Today, Mama's, John West, Farley's, Complian, HP, Lea &amp; Perrins, Classico, Banquete, Wattie's, Quero</i>
	<u>63</u>	<u>7</u>	<i>* Used under license</i>

The Company also owns or leases office space, warehouses, distribution centers and research and other facilities throughout the world. The Company's food processing factories and principal properties are in good condition and are satisfactory for the purposes for which they are being utilized.

The Company has developed or participated in the development of certain of its equipment, manufacturing processes and packaging, and maintains patents and has applied for patents for some of those developments. The Company regards these patents and patent applications as important but does not consider any one or group of them to be materially important to its business as a whole.

Although crops constituting some of the Company's raw food ingredients are harvested on a seasonal basis, most of the Company's products are produced throughout the year. Seasonal factors inherent in the business have always influenced the



quarterly sales, operating income and cash flows of the Company. Consequently, comparisons between quarters have always been more meaningful when made between the same quarters of prior years.

The products of the Company are sold under highly competitive conditions, with many large and small competitors. The Company regards its principal competition to be other manufacturers of prepared foods, including branded retail products, foodservice products and private label products, that compete with the Company for consumer preference, distribution, shelf space and merchandising support. Product quality and consumer value are important areas of competition.

The Company's products are sold through its own sales organizations and through independent brokers, agents and distributors to chain, wholesale, cooperative and independent grocery accounts, convenience stores, bakeries, pharmacies, mass merchants, club stores, foodservice distributors and institutions, including hotels, restaurants, hospitals, health-care facilities, and certain government agencies. For Fiscal 2012, one customer, Wal-Mart Stores Inc., represented approximately 10% of the Company's sales. We closely monitor the credit risk associated with our customers and to date have not experienced material losses.

Compliance with the provisions of national, state and local environmental laws and regulations has not had a material effect upon the capital expenditures, earnings or competitive position of the Company. The Company's estimated capital expenditures for environmental control facilities for the remainder of Fiscal 2013 and the succeeding fiscal year are not material and are not expected to materially affect the earnings, cash flows or competitive position of the Company.

The Company's factories are subject to inspections by various governmental agencies in the U.S. and other countries where the Company does business, including the United States Department of Agriculture, and the Occupational Health and Safety Administration, and its products must comply with the applicable laws, including food and drug laws, such as the Federal Food and Cosmetic Act of 1938, as amended, and the Federal Fair Packaging or Labeling Act of 1966, as amended, of the jurisdictions in which they are manufactured and marketed.

The Company employed, on a full-time basis as of May 31, 2012, approximately 32,200 people around the world.

Segment information is set forth in this report on pages 70 through 72 in Note 16, "Segment Information" in Item 8 —"Financial Statements and Supplementary Data."

Income from international operations is subject to fluctuation in currency values, export and import restrictions, foreign ownership restrictions, economic controls and other factors. From time to time, exchange restrictions imposed by various countries have restricted the transfer of funds between countries and between the Company and its subsidiaries. To date, such exchange restrictions have not had a material adverse effect on the Company's operations.

The Company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act are available free of charge on the Company's web site at [www.heinz.com](http://www.heinz.com), as soon as reasonably practicable after being filed or furnished to the Securities and Exchange Commission ("SEC"). Our reports filed with the SEC are also made available on its website at [www.sec.gov](http://www.sec.gov).

## Executive Officers of the Registrant

The following is a list of the names and ages of all of the executive officers of H. J. Heinz Company indicating all positions and offices held by each such person and each such person's principal occupations or employment during the past five years. All the executive officers have been elected to serve until the next annual election of officers, until their successors are elected, or until their earlier resignation or removal. The next annual election of officers is scheduled to occur on August 28, 2012.

<i>Name</i>	<i>Age (as of August 28, 2012)</i>	<i>Positions and Offices Held with the Company and Principal Occupations or Employment During Past Five Years</i>
William R. Johnson	63	Chairman, President, and Chief Executive Officer since September 2000.
Theodore N. Bobby	61	Executive Vice President, General Counsel and Corporate Secretary since May 2012. Executive Vice President and General Counsel from January 2007 to May 2012.
Stephen S. Clark	44	Vice President—Chief People Officer since October 2005.
Edward J. McMenamin	55	Senior Vice President—Finance since May 2010; Senior Vice President—Finance and Corporate Controller from August 2004 to May 2010.
Michael D. Milone <sup>(1)</sup>	56	Executive Vice President from May 2012; Executive Vice President—Heinz Rest of World, and Global Enterprise Risk Management and Global Infant/Nutrition from May 2010 to May 2012; Senior Vice President—Heinz Rest of World, Enterprise Risk Management and Global Infant/Nutrition from June 2008 to April 2010; Senior Vice President—Heinz Pacific, Rest of World and Enterprise Risk Management from May 2006 to June 2008.
David C. Moran	54	Executive Vice President, President and Chief Executive Officer of Heinz Europe and Global Infant/Nutrition since May 2012. Executive Vice President and President and Chief Executive Officer of Heinz Europe from July 2009 to May 2012; Executive Vice President & Chief Executive Officer and President of Heinz North America from May 2007 to July 2009.
Michael Mullen	43	Vice President—Corporate and Government Affairs since February 2009; Director Global Corporate Affairs from May 2006 to February 2009.
Margaret R. Nollen	49	Senior Vice President—Investor Relations and Global Program Management Officer since January 2011; Senior Vice President—Investor Relations from May 2010 to January 2011; Vice President—Investor Relations from February 2007 to May 2010.
C. Scott O'Hara	51	Executive Vice President and President and Chief Executive Officer of Heinz North America since July 2009; Executive Vice President—President and Chief Executive Officer Heinz Europe from May 2006 to July 2009.
Robert P. Ostryniec	51	Senior Vice President, Chief Supply Chain Officer and Global Enterprise Risk Management, Environmental Health, Safety and Sustainability and Quality since May 2012; Senior Vice President and Chief Supply Chain Officer from February 2010 to May 2012; Chief Supply Chain Officer from January 2009 to February 2010; Global Supply Chain Officer from April 2008 to January 2009; Chief Supply Chain Officer from June 2005 to April 2008.
Christopher J. Warmoth	53	Executive Vice President—Heinz Asia Pacific since June 2008; Senior Vice President—Heinz Asia from May 2006 to June 2008.
Arthur B. Winkleblack	55	Executive Vice President and Chief Financial Officer since January 2002.
David C. Woodward	47	Executive Vice President—Heinz Rest of World since May 2012; President—Heinz United Kingdom, Ireland, Africa and Middle East from January 2011 to May 2012; President—Heinz United Kingdom and Ireland from July 2006 to May 2012.

(1) In March 2012, Michael D. Milone announced his intention to retire from the Company in June 2012.

## **Item 1A. Risk Factors.**

In addition to the factors discussed elsewhere in this report, the following risks and uncertainties could materially and adversely affect the Company's business, financial condition, and results of operations. Additional risks and uncertainties that are not presently known to the Company or are currently deemed by the Company to be immaterial also may impair the Company's business operations and financial condition.

***Competitive product and pricing pressures in the food industry and the financial condition of customers and suppliers could adversely affect the Company's ability to gain or maintain market share and/or profitability.***

The Company operates in the highly competitive food industry, competing with other companies that have varying abilities to withstand changing market conditions. Any significant change in the Company's relationship with a major customer, including changes in product prices, sales volume, or contractual terms may impact financial results. Such changes may result because the Company's competitors may have substantial financial, marketing, and other resources that may change the competitive environment. Private label brands sold by retail customers, which are typically sold at lower prices, are a source of competition for certain of our product lines. Such competition could cause the Company to reduce prices and/or increase capital, marketing, and other expenditures, or could result in the loss of category share. Such changes could have a material adverse impact on the Company's net income. As the retail grocery trade continues to consolidate, the larger retail customers of the Company could seek to use their positions to improve their profitability through lower pricing and increased promotional programs. If the Company is unable to use its scale, marketing expertise, product innovation, and category leadership positions to respond to these changes, or is unable to increase its prices, its profitability and volume growth could be impacted in a materially adverse way. The success of our business depends, in part, upon the financial strength and viability of our suppliers and customers. The financial condition of those suppliers and customers is affected in large part by conditions and events that are beyond our control. A significant deterioration of their financial condition could adversely affect our financial results.

***The Company's performance may be adversely affected by economic and political conditions in the U.S. and in various other nations where it does business.***

The Company's performance has been in the past and may continue in the future to be impacted by economic and political conditions in the United States and in other nations. Such conditions and factors include changes in applicable laws and regulations, including changes in food and drug laws, accounting standards and critical accounting estimates, taxation requirements and environmental laws. Other factors impacting our operations in the U.S., Venezuela and other international locations where the Company does business include export and import restrictions, currency exchange rates, currency devaluation, recessionary conditions, foreign ownership restrictions, nationalization, the impact of hyperinflationary environments, terrorist acts, and political unrest. Such factors in either domestic or foreign jurisdictions could materially and adversely affect our financial results.

***Increases in the cost and restrictions on the availability of raw materials could adversely affect our financial results.***

The Company sources raw materials including agricultural commodities such as tomatoes, cucumbers, potatoes, onions, other fruits and vegetables, dairy products, meat, sugar and other sweeteners, including high fructose corn syrup, spices, and flour, as well as packaging materials such as glass, plastic, metal, paper, fiberboard, and other materials and inputs such as water, in order to manufacture products. The availability or cost of such commodities may fluctuate widely due to government policy and regulation, crop failures or shortages due to plant disease or insect and other pest infestation, weather conditions, potential impact of climate change, increased demand for biofuels, or other unforeseen circumstances. Additionally, the cost of raw materials and finished products may fluctuate due to movements in cross-currency transaction rates. To the extent that any of the foregoing or other unknown factors increase the prices of such commodities or materials and the Company is unable to increase its prices or adequately hedge against such changes in a manner that offsets such changes, the results of its operations could be materially and adversely affected. Similarly, if supplier arrangements and relationships result in increased and unforeseen expenses, the Company's financial results could be materially and adversely impacted.

***Disruption of our supply chain could adversely affect our business.***

Damage or disruption to our manufacturing or distribution capabilities due to weather, natural disaster, fire, terrorism, pandemic, strikes, the financial and/or operational instability of key suppliers, distributors, warehousing and transportation providers, or brokers, or other reasons could impair our ability to manufacture or sell our products. To the extent the Company is unable to, or cannot, financially mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, particularly when a product is sourced from a single location, there could be a materially adverse affect on our business and results of operations, and additional resources could be required to restore our supply chain.

***Higher energy costs and other factors affecting the cost of producing, transporting, and distributing the Company's products could adversely affect our financial results.***

Rising fuel and energy costs may have a significant impact on the cost of operations, including the manufacture, transportation, and distribution of products. Fuel costs may fluctuate due to a number of factors outside the control of the Company, including government policy and regulation and weather conditions. Additionally, the Company may be unable to maintain favorable arrangements with respect to the costs of procuring raw materials, packaging, services, and transporting products, which could result in increased expenses and negatively affect operations. If the Company is unable to hedge against such increases or raise the prices of its products to offset the changes, its results of operations could be materially and adversely affected.

***The results of the Company could be adversely impacted as a result of increased pension, labor, and people-related expenses.***

Inflationary pressures and any shortages in the labor market could increase labor costs, which could have a material adverse effect on the Company's consolidated operating results or financial condition. The Company's labor costs include the cost of providing employee benefits in the U.S. and foreign jurisdictions, including pension, health and welfare, and severance benefits. Any declines in market returns could adversely impact the funding of pension plans, the assets of which are invested in a diversified portfolio of equity and fixed income securities and other investments. Additionally, the annual costs of benefits vary with increased costs of health care and the outcome of collectively-bargained wage and benefit agreements.

***The impact of various food safety issues, environmental, legal, tax, and other regulations and related developments could adversely affect the Company's sales and profitability.***

The Company is subject to numerous food safety and other laws and regulations regarding the manufacturing, marketing, and distribution of food products. These regulations govern matters such as ingredients, advertising, taxation, relations with distributors and retailers, health and safety matters, and environmental concerns. The ineffectiveness of the Company's planning and policies with respect to these matters, and the need to comply with new or revised laws or regulations with regard to licensing requirements, trade and pricing practices, environmental permitting, or other food or safety matters, or new interpretations or enforcement of existing laws and regulations, as well as any related litigation, may have a material adverse effect on the Company's sales and profitability. Influenza or other pandemics could disrupt production of the Company's products, reduce demand for certain of the Company's products, or disrupt the marketplace in the foodservice or retail environment with consequent material adverse effects on the Company's results of operations.

***The need for and effect of product recalls could have an adverse impact on the Company's business.***

If any of the Company's products become misbranded or adulterated, the Company may need to conduct a product recall. The scope of such a recall could result in significant costs incurred as a result of the recall, potential destruction of inventory, and lost sales. Should consumption of any product cause injury, the Company may be liable for monetary damages as a result of a judgment against it. A significant product recall or product liability case could cause a loss of consumer confidence in the Company's food products and could have a material adverse effect on the value of its brands and results of operations.

***The failure of new product or packaging introductions to gain trade and consumer acceptance and changes in consumer preferences could adversely affect our sales.***

The success of the Company is dependent upon anticipating and reacting to changes in consumer preferences, including health and wellness. There are inherent marketplace risks associated with new product or packaging introductions, including uncertainties about trade and consumer acceptance. Moreover, success is dependent upon the Company's ability to identify and respond to consumer trends through innovation. The Company may be required to increase expenditures for new product development. The Company may not be successful in developing new products or improving existing products, or its new products may not achieve consumer acceptance, each of which could materially and negatively impact sales.

***The failure to successfully integrate acquisitions and joint ventures into our existing operations or the failure to gain applicable regulatory approval for such transactions or divestitures could adversely affect our financial results.***

The Company's ability to efficiently integrate acquisitions and joint ventures into its existing operations also affects the financial success of such transactions. The Company may seek to expand its business through acquisitions and joint ventures, and may divest underperforming or non-core businesses. The Company's success depends, in part, upon its ability to identify such acquisition, joint venture, and divestiture opportunities and to negotiate favorable contractual terms. Activities in such areas are regulated by numerous antitrust and competition laws in the U. S., the European Union, and other jurisdictions, and the Company may be required to obtain the approval of acquisition and joint venture transactions by competition authorities, as well as satisfy other legal requirements. The failure to obtain such approvals could materially and adversely affect our results.



***The Company's operations face significant foreign currency exchange rate exposure, which could negatively impact its operating results.***

The Company holds assets and incurs liabilities, earns revenue, and pays expenses in a variety of currencies other than the U.S. dollar, primarily the British Pound, Euro, Australian dollar, Canadian dollar, and New Zealand dollar. The Company's consolidated financial statements are presented in U.S. dollars, and therefore the Company must translate its assets, liabilities, revenue, and expenses into U.S. dollars for external reporting purposes. Increases or decreases in the value of the U.S. dollar relative to other currencies may materially and negatively affect the value of these items in the Company's consolidated financial statements, even if their value has not changed in their original currency. In addition, the impact of fluctuations in foreign currency exchange rates on transaction costs (i.e., the impact of foreign currency movements on particular transactions such as raw material sourcing), most notably in the U.K., could materially and adversely affect our results.

***The Company could incur more debt, which could have an adverse impact on our business.***

The Company may incur additional indebtedness in the future to fund acquisitions, repurchase shares, or fund other activities for general business purposes, which could result in a downward change in credit rating. The Company's ability to make payments on and refinance its indebtedness and fund planned capital expenditures depends upon its ability to generate cash in the future. The cost of incurring additional debt could increase in the event of possible downgrades in the Company's credit rating.

***The failure to implement our growth plans could adversely affect the Company's ability to increase net income and generate cash.***

The success of the Company could be impacted by its inability to continue to execute on its growth plans regarding product innovation, implementing cost-cutting measures, improving supply chain efficiency, enhancing processes and systems, including information technology systems, on a global basis, and growing market share and volume. The failure to fully implement the plans, in a timely manner or within our cost estimates, could materially and adversely affect the Company's ability to increase net income. Additionally, the Company's ability to pay cash dividends will depend upon its ability to generate cash and profits, which, to a certain extent, is subject to economic, financial, competitive, and other factors beyond the Company's control.

***The Company is increasingly dependent on information technology, and potential disruption, cyber attacks, security problems, and expanding social media vehicles present new risks.***

The Company is increasingly dependent on information technology systems to manage and support a variety of business processes and activities, and any significant breakdown, invasion, destruction, or interruption of these systems could negatively impact operations. In addition, there is a risk of business interruption and reputational damage from leakage of confidential information.

The inappropriate use of certain media vehicles could cause brand damage or information leakage. Negative posts or comments about the Company on any social networking web site could seriously damage its reputation. In addition, the disclosure of non-public company sensitive information through external media channels could lead to information loss. Identifying new points of entry as social media continues to expand presents new challenges. Any business interruptions or damage to the Company's reputation could negatively impact the Company's financial condition, results of operation, and the market price of the Company's common stock.

***The Company's operating results may be adversely affected by the current sovereign debt crisis in Europe and elsewhere and by related global economic conditions.***

The current European debt crisis, particularly most recently in Greece, Italy, Ireland, Portugal and Spain, and related European financial restructuring efforts may cause the value of the European currencies, including the Euro, to further deteriorate, thus reducing the purchasing power of European customers. One potential extreme outcome of the European financial situation is the re-introduction of individual currencies in one or more Eurozone countries or the dissolution of the Euro entirely. Should the Euro dissolve entirely, the legal and contractual consequences for holders of Euro-denominated obligations would be determined by laws in effect at such time. The potential dissolution of the Euro, or market perceptions concerning this and related issues, could adversely affect the value of the Company's Euro-denominated assets and obligations. In addition, the European crisis is contributing to instability in global credit markets. The world has recently experienced a global macroeconomic downturn, and if global economic and market conditions, or economic conditions in Europe, the United States or other key markets, remain uncertain, persist, or deteriorate further, consumer purchasing power and demand for Company products could decline, and the Company may experience material adverse impacts on its business, operating results, and financial condition.

## CAUTIONARY STATEMENT RELEVANT TO FORWARD-LOOKING INFORMATION

Statements about future growth, profitability, costs, expectations, plans, or objectives included in this report, including in management's discussion and analysis, and the financial statements and footnotes, are forward-looking statements based on management's estimates, assumptions, and projections. These forward-looking statements are subject to risks, uncertainties, assumptions and other important factors, many of which may be beyond the Company's control and could cause actual results to differ materially from those expressed or implied in this report and the financial statements and footnotes. Uncertainties contained in such statements include, but are not limited to:

- sales, volume, earnings, or cash flow growth,
- general economic, political, and industry conditions, including those that could impact consumer spending,
- competitive conditions, which affect, among other things, customer preferences and the pricing of products, production, and energy costs,
- competition from lower-priced private label brands,
- increases in the cost and restrictions on the availability of raw materials including agricultural commodities and packaging materials, the ability to increase product prices in response, and the impact on profitability,
- the ability to identify and anticipate and respond through innovation to consumer trends,
- the need for product recalls,
- the ability to maintain favorable supplier and customer relationships, and the financial viability of those suppliers and customers,
- currency valuations and devaluations and interest rate fluctuations,
- changes in credit ratings, leverage, and economic conditions, and the impact of these factors on our cost of borrowing and access to capital markets,
- our ability to effectuate our strategy, including our continued evaluation of potential opportunities, such as strategic acquisitions, joint ventures, divestitures, and other initiatives, our ability to identify, finance and complete these transactions and other initiatives, and our ability to realize anticipated benefits from them,
- the ability to successfully complete cost reduction programs and increase productivity,
- the ability to effectively integrate acquired businesses,
- new products, packaging innovations, and product mix,
- the effectiveness of advertising, marketing, and promotional programs,
- supply chain efficiency,
- cash flow initiatives,
- risks inherent in litigation, including tax litigation,
- the ability to further penetrate and grow and the risk of doing business in international markets, particularly our emerging markets, economic or political instability in those markets, strikes, nationalization, and the performance of business in hyperinflationary environments, in each case such as Venezuela; and the uncertain global macroeconomic environment and sovereign debt issues, particularly in Europe,
- changes in estimates in critical accounting judgments and changes in laws and regulations, including tax laws,
- the success of tax planning strategies,
- the possibility of increased pension expense and contributions and other people-related costs,
- the potential adverse impact of natural disasters, such as flooding and crop failures, and the potential impact of climate change,
- the ability to implement new information systems, potential disruptions due to failures in information technology systems, and risks associated with social media,
- with regard to dividends, dividends must be declared by the Board of Directors and will be subject to certain legal

requirements being met at the time of declaration, as well as our Board's view of our anticipated cash needs, and

- other factors as described in "Risk Factors" above.

The forward-looking statements are and will be based on management's then current views and assumptions regarding future events and speak only as of their dates. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by the securities laws.

**Item 1B. Unresolved Staff Comments.**

Nothing to report under this item.

**Item 2. Properties.**

See table in Item 1.

**Item 3. Legal Proceedings.**

Nothing to report under this item.

**Item 4. Mine Safety Disclosures.**

Nothing to report under this item.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Information relating to the Company's common stock is set forth in this report on page 29 under the caption "Stock Market Information" in Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations," and on pages 72 and 73 in Note 17, "Quarterly Results" in Item 8—"Financial Statements and Supplementary Data."

The Board of Directors authorized a share repurchase program on May 31, 2006 for a maximum of 25 million shares. The Company did not repurchase any shares of its common stock during the fourth quarter of Fiscal 2012. As of April 29, 2012, the maximum number of shares that may yet be purchased under the 2006 program is 1,431,270.

### Item 6. Selected Financial Data.

The following table presents selected consolidated financial data for the Company and its subsidiaries for each of the five fiscal years 2008 through 2012. All amounts are in thousands except per share data.

	<i>Fiscal Year Ended</i>				
	<i>April 29, 2012</i>	<i>April 27, 2011</i>	<i>April 28, 2010</i>	<i>April 29, 2009</i>	<i>April 30, 2008</i>
	<i>(52 1/2 Weeks)</i>	<i>(52 Weeks)</i>	<i>(52 Weeks)</i>	<i>(52 Weeks)</i>	<i>(52 Weeks)</i>
Sales <sup>(1)</sup>	\$ 11,649,079	\$ 10,706,588	\$ 10,494,983	\$ 10,011,331	\$ 9,885,556
Interest expense <sup>(1)</sup>	294,104	275,398	295,711	339,635	364,808
Income from continuing operations attributable to H.J. Heinz Company common shareholders <sup>(1)</sup>	923,159	989,510	914,489	929,511	846,623
Income from continuing operations per share attributable to H.J. Heinz Company common shareholders—diluted <sup>(1)</sup>	2.85	3.06	2.87	2.91	2.62
Income from continuing operations per share attributable to H.J. Heinz Company common shareholders—basic <sup>(1)</sup>	2.87	3.09	2.89	2.95	2.65
Short-term debt and current portion of long-term debt	246,708	1,534,932	59,020	65,638	452,708
Long-term debt, exclusive of current portion <sup>(2)</sup>	4,779,981	3,078,128	4,559,152	5,076,186	4,730,946
Total assets	11,983,293	12,230,645	10,075,711	9,664,184	10,565,043
Cash dividends per common share	1.92	1.80	1.68	1.66	1.52

(1) Amounts exclude the operating results related to the Company's private label frozen desserts business in the U.K. as well as the Kabobs and Appetizers And, Inc. businesses in the U.S., which were divested in Fiscal 2010 and have been presented as discontinued operations.

(2) Long-term debt, exclusive of current portion, includes \$128.4 million, \$150.5 million, \$207.1 million, \$251.5 million, and \$198.3 million of hedge accounting adjustments associated with interest rate swaps at April 29, 2012, April 27, 2011, April 28, 2010, April 29, 2009, and April 30, 2008, respectively. H.J. Heinz Finance Company's ("HFC") mandatorily redeemable preferred shares of \$350 million in Fiscals 2012-2009 and \$325 million in Fiscal 2008 are classified as long-term debt.

Fiscal 2012 results include expenses of \$224.3 million pre-tax (\$162.9 million after-tax or \$0.50 per share) for productivity initiatives. See Note 3, "Productivity Initiatives" in Item 8—"Financial Statement and Supplementary Data" for further explanation of these initiatives.

Fiscal 2010 results from continuing operations include expenses of \$37.7 million pretax (\$27.8 million after tax) for upfront productivity charges and a gain of \$15.0 million pretax (\$11.1 million after tax) on a property disposal in the Netherlands. The upfront productivity charges include costs associated with targeted workforce reductions and asset write-offs, that were part of a corporation-wide initiative to improve productivity. The asset write-offs related to two factory closures and the exit of a formula business in the U.K. See "Discontinued Operations and Other Disposals" in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 12 and 13 for further explanation of the property disposal in the Netherlands.



## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### Executive Overview- Fiscal 2012

The H.J. Heinz Company has been a pioneer in the food industry for over 140 years and possesses one of the world's best and most recognizable brands—*Heinz*<sup>®</sup>. The Company has a global portfolio of leading brands focused in three core categories, Ketchup and Sauces, Meals and Snacks, and Infant/Nutrition.

The Company's Fiscal 2012 results reflect strong sales growth of 8.8%, led by a trio of growth engines- emerging markets, our top 15 brands and global ketchup. The emerging markets posted organic sales growth<sup>(1)</sup> of 16.4% for the fiscal year (40.9% reported). Emerging markets represented 21.0% of total Company sales reflecting this strong organic growth and our Fiscal 2011 acquisitions of *Quero*<sup>®</sup> in Brazil and *Master*<sup>®</sup> in China. The Company's top 15 brands performed well with organic sales growth of 5.0% (12.3% reported) driven by the *Heinz*<sup>®</sup>, *Master*<sup>®</sup>, *Complan*<sup>®</sup> and *ABC*<sup>®</sup> brands. The *Quero*<sup>®</sup> and *Master*<sup>®</sup> brands acquired in Fiscal 2011 are now part of the Company's top 15 brands and drove an additional 4.0% increase in total Company sales. Global ketchup grew organically 8.0% (9.7% reported). Favorable foreign exchange increased sales by 1.8% while the Company's strategic decision to exit the *Boston Market*<sup>®</sup> license in the U.S. reduced sales by 0.5%. Overall, the Company's Fiscal 2012 organic sales growth of 3.5% reflects a 3.8% increase in net pricing and a 0.3% decline in volume. This quarter marks the 28<sup>th</sup> consecutive quarter of organic sales growth for the Company.

On May 26, 2011, the Company announced that in order to accelerate growth and drive global productivity, it would invest in productivity initiatives in Fiscal 2012 that are expected to make the Company stronger and even more competitive (see "Productivity Initiatives" section below for further detail). During Fiscal 2012, the Company incurred charges of \$224 million pre-tax or \$0.50 per share related to these productivity initiatives.

On a reported basis, gross margin for Fiscal 2012 declined 260 basis points to 34.3% compared to prior year. Excluding charges for productivity initiatives<sup>(2)</sup>, gross margin for the year declined 140 basis points to 35.5% reflecting industry-wide commodity cost inflation, unfavorable sales mix and lower gross margin on recent acquisitions, partially offset by higher pricing and productivity improvements. Operating income for the fiscal year decreased 12.0% to \$1.45 billion. Excluding charges for productivity initiatives, operating income increased 1.7% versus prior year to \$1.68 billion reflecting higher sales, effective cost management and lower incentive compensation expenses. The Company continued to invest for the future, despite the tough economic environment, increasing marketing spending by 9.4% and spending approximately \$80 million on Project Keystone, a multi-year program designed to drive productivity and make Heinz much more competitive by adding capabilities, harmonizing global processes and standardizing our systems through SAP.

Diluted earnings per share were \$2.85 for Fiscal 2012, compared to \$3.06 in the prior year. Excluding charges for productivity initiatives, earnings per share were \$3.35 in the current year, up 9.5%. Earnings per share benefited from the increase in operating income excluding charges for productivity initiatives and a lower effective tax rate. The Company also generated \$1.08 billion of operating free cash flow<sup>(3)</sup> this year or \$1.21 billion excluding the \$122 million of cash paid in Fiscal 2012 for productivity initiatives. The remaining cash required for these initiatives of approximately \$80 million is expected to be paid in the first quarter of Fiscal 2013.

The Company believes these Fiscal 2012 results are indicative of the effectiveness of its business plan, which is focused on the following four strategic pillars:

- Accelerate growth in emerging markets;
- Expand the core portfolio;
- Strengthen and leverage global scale; and
- Make talent an advantage.

The Company remains confident in its underlying business fundamentals and plans to continue to focus on these four strategic pillars in Fiscal 2013.

- (1) Organic sales growth is defined as volume plus price or total sales growth excluding the impact of foreign exchange, acquisitions and divestitures. See "Non-GAAP Measures" section below for the reconciliation of all of these organic sales growth measures to the reported GAAP measure.
- (2) All results excluding charges for productivity initiatives are non-GAAP measures used for management reporting and incentive compensation purposes. See "Non-GAAP Measures" section below and the following reconciliation of all non-GAAP measures to the reported GAAP measures.
- (3) Operating Free Cash Flow is defined as cash from operations less capital expenditures net of proceeds from disposals of Property, Plant and Equipment. See "Non-GAAP Measures" section below for the reconciliation of this measure to the reported GAAP measure.

*Fiscal Year Ended*

*April 29, 2012*

	<i>Sales</i>	<i>Gross Profit</i>	<i>SG&amp;A</i>	<i>Operating Income</i>	<i>Effective Tax Rate</i>	<i>Net Income attributable to H.J. Heinz Company</i>	<i>Diluted EPS</i>
<i>(In thousands except per share amounts)</i>							
Reported results	\$11,649,079	\$3,999,530	\$2,548,362	\$1,451,168	20.6%	\$923,159	\$2.85
Charges for productivity initiatives	—	139,830	84,487	224,317	27.4%	162,874	0.50
Results excluding charges for productivity initiatives	\$11,649,079	\$4,139,360	\$2,463,875	\$1,675,485	21.7%	\$1,086,033	\$3.35

*(Totals may not add due to rounding)*

## Productivity Initiatives

The Company announced on May 26, 2011 that it would invest in productivity initiatives during Fiscal 2012 designed to increase manufacturing effectiveness and efficiency as well as accelerate overall productivity on a global scale. The Company originally anticipated investing at least \$130 million of cash and \$160 million of pre-tax income (\$0.35 per share) on these initiatives during Fiscal 2012. During Fiscal 2012, the Company's Board of Directors gave its approval for the Company to invest an incremental \$40 million cash and \$75 million of pre-tax income (\$0.21 per share) on additional productivity initiatives. The Company was able to execute these projects under budget and is on track to deliver the expected benefits. All of these costs in Fiscal 2012 were reported in the Non-Operating segment. See Note 3, "Productivity Initiatives" in Item 8- "Financial Statements and Supplementary Data" and the "Liquidity and Financial Position" section below for additional information on these productivity initiatives.

## Discontinued Operations

During the third quarter of Fiscal 2010, the Company completed the sale of its Appetizers And, Inc. frozen hors d'oeuvres business which was previously reported within the U.S. Foodservice segment, resulting in a \$14.5 million pre-tax (\$10.4 million after-tax) loss. Also during the third quarter of Fiscal 2010, the Company completed the sale of its private label frozen desserts business in the U.K., resulting in a \$31.4 million pre-tax (\$23.6 million after-tax) loss. During the second quarter of Fiscal 2010, the Company completed the sale of its Kabobs frozen hors d'oeuvres business which was previously reported within the U.S. Foodservice segment, resulting in a \$15.0 million pre-tax (\$10.9 million after-tax) loss. The losses on each of these transactions have been recorded in discontinued operations.

In accordance with accounting principles generally accepted in the United States of America, the operating results related to these businesses have been included in discontinued operations in the Company's consolidated statements of income for Fiscal 2010. The following table presents summarized operating results for these discontinued operations:

	<i>Fiscal Year Ended</i>
	<i>April 28, 2010</i>
	<i>FY 2010</i>
	<i>(In millions)</i>
Sales	\$63.0
Net after-tax losses	\$(4.7)
Tax benefit on losses	\$2.0

During the first quarter of Fiscal 2013, the Company's Board of Directors approved the sale of its U.S. Foodservice frozen desserts business. This business had annual sales of approximately \$75 million in Fiscal 2012. The disposal transaction included the sale of two factories. As a result of this transaction, the Company will recognize a pre-tax loss of approximately \$33 million (\$21 million after-tax), which will be recorded in discontinued operations in the first quarter of Fiscal 2013. The sale will not significantly affect the Company's profit on a continuing operations basis going forward.

## Other Disposals

During the fourth quarter of Fiscal 2010, the Company received cash proceeds of \$95 million from the government of the Netherlands for property the government acquired through eminent domain proceedings. The transaction included the purchase by the government of the Company's factory located in Nijmegen, which produces soups, pasta and cereals. The cash proceeds are intended to compensate the Company for costs, both capital and expense, which are being incurred over a three year period from the date of the transaction, which is the length of time the Company has to exit the current factory location and construct new facilities. Note, the Company has and will incur costs to build an R&D facility in the Netherlands, costs to transfer a cereal line to another factory location, employee costs for severance and other costs directly related to the closure and relocation of the existing facilities. The Company also entered into a three-year leaseback on the Nijmegen factory. The Company will continue to operate in the leased factory while executing its plans for closure and relocation of the operations. The Company has accounted for the proceeds on a cost recovery basis. In doing so, the Company has made its estimates of cost, both of a capital and expense nature, to be incurred and recovered and to which proceeds from the transaction will be applied. Of the initial proceeds received, \$81 million was deferred based on management's total estimated future costs to be recovered and these deferred amounts are recognized as the related costs are incurred. If estimated costs differ from what is actually incurred, these adjustments will be reflected in earnings. As of April 29, 2012 and April 27, 2011, the remaining deferred amounts on the consolidated balance sheets were \$21 million and \$63 million, respectively, and were recorded in other non-current liabilities and other accrued liabilities. No significant adjustments were reflected in earnings in Fiscal 2012 and 2011. The excess of the \$95 million of proceeds received over estimated costs to be recovered and incurred was \$15 million and was recorded as a reduction of cost of products sold in the consolidated statement of income for the year ended April 28, 2010.

## Results of Continuing Operations

On March 14, 2012 the Company's Board of Directors of H. J. Heinz Company authorized a change in the Company's fiscal year end from the Wednesday nearest April 30 to the Sunday nearest April 30. The change in the fiscal year end resulted in Fiscal 2012 changing from a 53 week year to a 52 1/2 week year and was intended to better align the Company's financial reporting period with its business partners and production schedules. This change did not have a material impact on the Company's financial statements.

The Company's revenues are generated via the sale of products in the following categories:

	<i>Fiscal Year Ended</i>		
	<i>April 29, 2012</i>	<i>April 27, 2011</i>	<i>April 28, 2010</i>
	<i>(52 1/2 Weeks)</i>	<i>(52 Weeks)</i>	<i>(52 Weeks)</i>
	<i>(In thousands)</i>		
Ketchup and Sauces	\$ 5,232,607	\$ 4,607,971	\$ 4,446,911
Meals and Snacks	4,479,502	4,282,318	4,289,977
Infant/Nutrition	1,232,248	1,175,438	1,157,982
Other	704,722	640,861	600,113
Total	<u>\$ 11,649,079</u>	<u>\$ 10,706,588</u>	<u>\$ 10,494,983</u>

### ***Fiscal 2012 Company Results- Fiscal Year Ended April 29, 2012 compared to Fiscal Year Ended April 27, 2011***

Sales for Fiscal 2012 increased \$942 million, or 8.8%, to \$11.65 billion. Net pricing increased sales by 3.8%, driven by price increases across the Company, particularly in the U.S., Latin America, U.K. and China. Volume decreased 0.3%, as favorable volume in emerging markets, Japan and Germany were more than offset by declines in the U.S., Australia and Italy. Emerging markets, global ketchup and the Company's top 15 brands continued to be the most significant growth drivers, with organic sales growth of 16.4%, 8.0%, and 5.0%, respectively (40.9%, 9.7% and 12.3%, respectively, reported). Acquisitions, net of divestitures, increased sales by 3.5%. Foreign exchange translation rates increased sales by 1.8%.

Gross profit increased \$47 million, or 1.2%, to \$4.0 billion however, the gross profit margin decreased 260 basis points to 34.3%. Excluding charges for productivity initiatives, gross profit increased \$187 million, or 4.7%, to \$4.14 billion, largely due to higher pricing, acquisitions and a \$59 million favorable impact from foreign exchange, partially offset by lower volume and commodity cost inflation. Gross profit margin excluding charges for productivity initiatives reflected industry-wide price and cost pressure and decreased 140 basis points to 35.5%, resulting from higher commodity and other costs, the impact of recent

acquisitions and unfavorable sales mix, partially offset by higher pricing and productivity improvements.

Selling, general and administrative expenses ("SG&A") increased \$244 million, or 10.6% to \$2.55 billion. Excluding charges for productivity initiatives, SG&A increased \$160 million, or 6.9% to \$2.46 billion, and decreased as a percentage of sales to 21.2% versus 21.5% last year. This increase in SG&A reflects a \$38 million unfavorable impact from foreign exchange translation rates, as well as increases from acquisitions, higher marketing spending and incremental investments in Project Keystone. In addition, selling and distribution expense ("S&D") was unfavorably impacted by higher fuel prices, particularly in the U.S., and general and administrative expenses ("G&A") were higher as a result of strategic investments to drive growth in emerging markets, partially offset by effective cost management in developed markets and lower incentive compensation expense. SG&A, excluding marketing and charges for productivity initiatives, decreased as percentage of sales by 40 basis points, to 17.1%.

Operating income decreased \$197 million, or 12.0%, to \$1.45 billion. Excluding charges for productivity initiatives, operating income was up \$27 million, or 1.7%, to \$1.68 billion.

Net interest expense increased \$7 million, to \$259 million, reflecting a \$19 million increase in interest expense, partially offset by a \$12 million increase in interest income. The increase in interest income is mainly due to earnings on short-term investments and the increase in interest expense is largely due to interest rate mix in the Company's debt portfolio and acquisitions made last fiscal year. Other expenses, net, decreased \$13 million, to \$8 million, primarily due to currency gains this year compared to currency losses in the prior year.

The effective tax rate for Fiscal 2012 was 20.6%. Excluding charges for productivity initiatives, the effective tax rate was 21.7% in the current year compared to 26.8% last year. The decrease in the effective tax rate is primarily the result of the increased benefits from the revaluation of the tax basis of foreign assets, the reversal of an uncertain tax position liability due to the expiration of the statute of limitations in a foreign tax jurisdiction, the beneficial resolution of a foreign tax case, and lower tax on the income of foreign subsidiaries primarily resulting from a statutory tax rate reduction in the U.K. These benefits were partially offset by the current year expense for changes in valuation allowances.

Net income attributable to H. J. Heinz Company was \$923 million, a decrease of 6.7%. Excluding charges for productivity initiatives, net income attributable to H. J. Heinz Company was \$1.09 billion compared to \$990 million in the prior year, an increase of 9.8%. This increase was largely due to higher sales and a lower effective tax rate, partially offset by a lower gross margin and investments in marketing, emerging markets capabilities and Project Keystone. Diluted earnings per share were \$2.85 in the current year, down 6.9%. Excluding charges for productivity initiatives, diluted earnings per share were \$3.35 in the current year compared to \$3.06 in the prior year, up 9.5%. EPS movements were favorably impacted by \$0.06 from currency translation and translation hedges.

The impact of fluctuating translation exchange rates in Fiscal 2012 has had a relatively consistent impact on all components of operating income on the consolidated statement of income.

## ***FISCAL YEAR 2012 OPERATING RESULTS BY BUSINESS SEGMENT***

### **North American Consumer Products**

Sales of the North American Consumer Products segment decreased \$24 million, or 0.7%, to \$3.24 billion. Higher net price of 2.8% reflects price increases across the leading brands and reduced trade promotions. Despite volume gains from new product launches, overall volume declined 2.3% across most of our key brands reflecting reduced promotional activity and the impact of price increases. Sales were also unfavorably impacted by 1.6% from the Company's strategic decision to exit the *Boston Market*<sup>®</sup> license effective July 2011. Favorable Canadian exchange translation rates increased sales 0.3%.

Gross profit decreased \$51 million, or 3.7%, to \$1.32 billion, and the gross profit margin decreased to 40.9% from 42.1%. Gross profit declined as higher pricing and productivity improvements were more than offset by increased commodity and fuel costs, lower volume and the impact from the exit of the *Boston Market*<sup>®</sup> license. The decline in gross margin is due to higher commodity costs and unfavorable sales mix. Operating income decreased \$21 million, or 2.5% to \$812 million, as the decline in gross profit was partially offset by a decrease in G&A reflecting effective cost management, lower incentive compensation expenses and decreased S&D largely due to lower volume.

### **Europe**

Heinz Europe sales increased \$204 million, or 6.3%, to \$3.44 billion. Net pricing increased 3.7%, driven by price increases across Europe and reduced promotions in the U.K. Volume increased by 0.6% as growth in ketchup across Europe, soup in the



U.K., sauces in Germany and *Heinz*<sup>®</sup> branded sauces in Russia were offset by declines in Italian infant nutrition and frozen products in the U.K. The Italian infant nutrition business was unfavorably impacted by weakness in the Italian economy and corresponding softness in the category. Favorable foreign exchange translation rates increased sales by 1.9%.

Gross profit increased \$52 million, or 4.1%, to \$1.32 billion, while the gross profit margin decreased to 38.3% from 39.1%. The \$52 million increase in gross profit is due to favorable net pricing, increased volume and foreign exchange translation rates. The decrease in the gross margin reflects the benefits from higher pricing and productivity improvements which were more than offset by higher commodity costs, unfavorable sales mix and a prior year gain on the sale of distribution rights on *Amoy*<sup>®</sup> products to ethnic channels in the U.K. Operating income increased \$28 million, or 4.8%, to \$609 million, due to higher pricing, increased volume and favorable foreign currency translation, partially offset by increased marketing investments.

## **Asia/Pacific**

Heinz Asia/Pacific sales increased \$248 million, or 10.7%, to \$2.57 billion. Favorable exchange translation rates increased sales by 5.4%. The acquisition of Foodstar in China during the third quarter of Fiscal 2011 increased sales 3.1%. Pricing increased 2.5% and volume decreased 0.3%. Total segment volume was negatively impacted by poor operating results in Australia. The Australian business has been impacted by a challenging market environment, higher promotions and reduced market demand. Price increases were realized on *ABC*<sup>®</sup> products in Indonesia, *Complan*<sup>®</sup> products in India, and *Long Fong*<sup>®</sup> frozen products and *Heinz*<sup>®</sup> infant feeding products in China. Significant volume growth occurred in *Complan*<sup>®</sup> nutritional beverages in India, frozen potatoes and sauces in Japan, *ABC*<sup>®</sup> sauces in Indonesia, and *Heinz*<sup>®</sup> and *Master*<sup>®</sup> branded sauces and *Heinz*<sup>®</sup> branded infant feeding products in China. Beyond Australia, volume declines were noted in *Glucon D*<sup>®</sup> and *Nycil*<sup>®</sup> branded products in India and *Long Fong*<sup>®</sup> frozen products in China.

Gross profit increased \$50 million, or 6.9%, to \$764 million, and the gross profit margin decreased to 29.8% from 30.8%. The \$50 million increase in gross profit largely reflects favorable net pricing and foreign exchange translation rates and the Foodstar acquisition, partially offset by weakness in Australia, prior year gains from the favorable renegotiation of a long-term supply contract in Australia and the sale of a factory in India. The decline in gross margin is a result of higher commodity costs and poor operating results in Australia which were only partially offset by higher pricing and productivity improvements. SG&A increased as a result of foreign exchange translation rates, the Foodstar acquisition, increased marketing and investments to improve capabilities in our emerging markets businesses. Operating income decreased by \$15 million, or 6.9%, to \$206 million, reflecting results in Australia.

## **U.S. Foodservice**

Sales of the U.S. Foodservice segment increased \$6 million, or 0.4%, to \$1.42 billion. Pricing increased sales 2.6%, largely due to price increases across this segment's product portfolio to offset commodity cost increases. Volume decreased by 2.2%, due largely to ongoing weakness in restaurant foot traffic at some key customers, which is beginning to improve, and the impact of price increases.

Gross profit decreased \$25 million, or 5.9%, to \$397 million, and the gross profit margin decreased to 28.0% from 29.9%, as pricing and productivity improvements were more than offset by increased commodity and fuel costs and unfavorable volume and product mix. Operating income decreased \$10 million, or 5.5%, to \$166 million, which is primarily due to higher commodity costs, partially offset by a decrease in G&A expenses which reflects effective cost management, including reduced incentive compensation expense.

## **Rest of World**

Sales for Rest of World increased \$509 million, or 108.3%, to \$979 million. The Coniexpress acquisition in Brazil ("Quero"), which was completed at the end of Fiscal 2011, increased sales 76.6%. Higher pricing increased sales by 21.5%, largely due to price increases in Latin America taken to mitigate inflation. (See the "Venezuela - Foreign Currency and Inflation" section below for further discussion on inflation in Venezuela.) Volume increased 11.9% mainly due to increases in *Heinz*<sup>®</sup> ketchup and baby food in Latin America. Volume in Latin America was unfavorably impacted in the prior year by labor disruptions which occurred in Venezuela. Ketchup and sauces in South Africa and improvements across product categories in the Middle East also drove favorable volume. Foreign exchange translation rates decreased sales 1.7%.

Gross profit increased \$158 million, or 93.2%, to \$327 million, due mainly to the Quero acquisition in Brazil and higher pricing and volume, partially offset by increased commodity costs. The gross profit margin declined to 33.4% from 36.0% primarily reflecting the impact of the Quero acquisition. Operating income increased \$52 million, or 96.9%, to \$105 million resulting from higher pricing and volume and the Quero acquisition.

## ***Fiscal 2011 Company Results- Fiscal Year Ended April 27, 2011 compared to Fiscal Year Ended April 28, 2010***

Sales for Fiscal 2011 increased \$212 million, or 2.0%, to \$10.71 billion. Volume increased 0.7%, as favorable volume in emerging markets as well as improvements in North American Consumer Products were partially offset by declines in U.S. Foodservice, Australia and Germany. Emerging markets and our Top 15 brands realized combined volume and pricing gains of 14.4% and 3.8%, respectively. Net pricing increased sales by 1.2%, as price increases in emerging markets, particularly Latin America, U.S. Foodservice and the U.K. were partially offset by increased trade promotions in the North American Consumer Products and Australian businesses. Acquisitions increased sales by 0.6%, while foreign exchange translation rates reduced sales by 0.5%.

Gross profit increased \$158 million, or 4.2%, to \$3.95 billion, and the gross profit margin increased to 36.9% from 36.2%. Gross profit increased as higher volume, net pricing, productivity improvements and the favorable impact from the Foodstar acquisition were partially offset by a \$33 million unfavorable impact from foreign exchange translation rates as well as higher commodity costs. In addition, Fiscal 2010's gross profit included \$24 million in charges for a corporation-wide initiative to improve productivity, partially offset by a \$15 million gain related to property sold in the Netherlands as discussed previously.

SG&A increased \$69 million, or 3.1% to \$2.30 billion, and increased slightly as a percentage of sales to 21.5% from 21.3%. SG&A was unfavorably impacted by S&D, largely resulting from the higher volume and fuel costs, and higher G&A, reflecting investments in global process and system upgrades, increased capabilities in emerging markets and acquisition costs related to the Coniexpress acquisition. These increases were partially offset by reduced marketing expense, a \$17 million favorable impact from foreign exchange translation rates and a \$14 million impact related to Fiscal 2010 targeted workforce reductions. Operating income increased \$89 million, or 5.7%, to \$1.65 billion, reflecting the items above.

Net interest expense increased \$2 million, to \$253 million, reflecting a \$23 million decrease in interest income and a \$20 million decrease in interest expense. The decrease in interest income is mainly due to a \$24 million gain in Fiscal 2010 on a total rate of return swap, which was terminated in August 2009. Interest expense decreased due to lower average interest rates and debt balances. Other expenses, net, increased \$3.0 million, to \$21 million, primarily due to currency losses partially offset by \$9 million of charges in Fiscal 2010 recognized in connection with the dealer remarketable securities exchange transaction (see below in "Liquidity and Financial Position" for further explanation of this transaction).

The effective tax rate for Fiscal 2011 was 26.8% compared to 27.8% for Fiscal 2010. The Fiscal 2011 effective tax rate was lower than Fiscal 2010 primarily due to increased benefits from foreign tax planning and increased tax exempt foreign income, partially offset by higher taxes on repatriation of earnings.

Income from continuing operations attributable to H. J. Heinz Company was \$990 million compared to \$914 million in Fiscal 2010, an increase of 8.2%. The increase was due to higher operating income, reduced interest expense, a lower tax rate and \$28 million in Fiscal 2010 after-tax charges (\$0.09 per share) for targeted workforce reductions and non-cash asset write-offs. These were partially offset by an \$11 million after-tax gain in Fiscal 2010 related to property sold in the Netherlands and a \$15 million after-tax gain in Fiscal 2010 on a total rate of return swap. Diluted earnings per share from continuing operations were \$3.06 in Fiscal 2011 compared to \$2.87 in Fiscal 2010, up 6.6%. EPS movements were unfavorably impacted by 1.5% higher shares outstanding and by \$0.06 from currency fluctuations, after taking into account the net effect of Fiscal 2011 and 2010 currency translation contracts and foreign currency movements on translation.

The impact of fluctuating translation exchange rates in Fiscal 2011 has had a relatively consistent impact on all components of operating income on the consolidated statement of income.

## ***FISCAL YEAR 2011 OPERATING RESULTS BY BUSINESS SEGMENT***

### **North American Consumer Products**

Sales of the North American Consumer Products segment increased \$74 million, or 2.3%, to \$3.27 billion. Volume increased 2.0% as new products and increased trade promotions drove improvements in *Heinz*<sup>®</sup> ketchup and gravy, *Smart Ones*<sup>®</sup> frozen entrees, *Classico*<sup>®</sup> pasta sauces, *Ore-Ida*<sup>®</sup> frozen potatoes and *TGI Friday's*<sup>®</sup> frozen meals and appetizers (*TGI Friday's*<sup>®</sup> frozen meals were discontinued at the end of Fiscal 2012). These increases were partially offset by declines in *Boston Market*<sup>®</sup> frozen products as we transitioned away from the *Boston Market*<sup>®</sup> license which was completed in the first quarter of Fiscal 2012. In addition, volume was up across most product categories in Canada. Net prices decreased 1.1% reflecting trade promotion increases in Canada, the Consumer Value Program launched in the U.S. in the second half of Fiscal 2010 and trade spending in Fiscal 2011 to support the launch of *TGI Friday's*<sup>®</sup> single serve frozen products. The acquisition of Arthur's Fresh Company, a small chilled smoothies business in Canada, in the third quarter of Fiscal 2010, increased sales 0.2%. Favorable Canadian exchange translation rates increased sales 1.1%.

Gross profit increased \$38 million, or 2.8%, to \$1.38 billion, and the gross profit margin increased to 42.1% from 41.9%. The increase in gross profit dollars was aided by favorable volume and foreign exchange translation rates. The gross profit margin improved as productivity improvements more than offset the shift in marketing funds to trade promotion investments and increased commodity costs. SG&A decreased as a result of the shift of marketing funds to trade promotions. Operating income increased \$61 million, or 7.9%, to \$833 million, reflecting higher volume, gross margin improvements and tight control of SG&A.

## Europe

Heinz Europe sales decreased \$96 million, or 2.9%, to \$3.24 billion. The decrease was due to unfavorable foreign exchange translation rates, which decreased sales by 3.5%, or \$117 million. Volume decreased 0.4%, as increases in *Weight Watchers*® and *Aunt Bessies*® frozen products in the U.K., improvements in ketchup, particularly in Russia and France, and increases in drinks in The Netherlands, were more than offset by declines in soups in the U.K. and Germany, *Honig*® branded products in The Netherlands, and infant nutrition across Europe. Net pricing increased 1.0%, due to reduced promotions on *Heinz*® soup in the U.K. and increased net pricing in our Russian and Italian infant nutrition businesses.

Gross profit increased \$19 million, or 1.5%, to \$1.27 billion, and the gross profit margin increased to 39.1% from 37.4%. These increases resulted from productivity improvements and higher net pricing partially offset by increased commodity costs and unfavorable foreign exchange translation rates. Gross profit also benefited from a gain in Fiscal 2011 on the sale of distribution rights on *Amoy*® products in certain ethnic channels in the U.K. Operating income increased \$27 million, or 4.8%, to \$581 million, reflecting the items above as well as reduced SG&A. The decline in SG&A was largely related to foreign exchange translation rates, partially offset by increased marketing and investments in global process and system upgrades.

## Asia/Pacific

Heinz Asia/Pacific sales increased \$314 million, or 15.6%, to \$2.32 billion. Volume increased 4.8%, due to significant growth in *Complan*® and *Glucon D*® nutritional beverages in India, *ABC*® products in Indonesia and infant feeding and frozen products in China and Japan. These increases were partially offset by softness in Australia, which has been impacted by a difficult trade environment and generally weak category trends. Pricing rose 0.2%, reflecting increases on *ABC*® products in Indonesia and *Complan*® and *Glucon D*® products in India offset by higher promotions in Australia. The acquisition of Foodstar during the third quarter of Fiscal 2011 increased sales 2.9%. Favorable exchange translation rates increased sales by 7.7%.

Gross profit increased \$103 million, or 16.8%, to \$715 million, and the gross profit margin increased to 30.8% from 30.5%. These increases reflect higher volume and pricing, favorable foreign exchange translation rates, the impact of the Foodstar acquisition, a gain in Fiscal 2011 on the sale of a factory in India, and productivity improvements, which include the favorable renegotiation of a long-term supply contract in Australia. These increases were reduced by higher commodity costs, particularly in Indonesia and India, partially offset by transactional currency benefits. Operating income increased \$26 million, or 13.5%, to \$222 million, primarily reflecting higher volume, improved gross margins and favorable foreign exchange. These improvements were partially offset by increased marketing investments and higher G&A.

## U.S. Foodservice

Sales of the U.S. Foodservice segment decreased \$16 million, or 1.1%, to \$1.41 billion. Pricing increased sales 2.3%, largely due to *Heinz*® ketchup and other tomato products, reflecting reduced trade promotions and price increases taken to offset commodity cost increases. Volume decreased by 3.5%, due to declines in frozen desserts and soup as well as non-branded sauces. The volume reflects ongoing weakness in restaurant foot traffic, rationalization of less-profitable products, and the timing of new product launches and promotions in Fiscal 2010.

Gross profit increased \$20 million, or 5.1%, to \$422 million, and the gross profit margin increased to 29.9% from 28.1%, as pricing and productivity improvements more than offset increased commodity costs and lower volume. Operating income increased \$25 million, or 16.8%, to \$176 million, due to the gross margin improvements and lower SG&A costs relating to reduced incentive compensation expense.

## Rest of World

Sales for Rest of World decreased \$64 million, or 11.9%, to \$470 million. Foreign exchange translation rates decreased sales 24.6%, or \$131 million, largely due to the devaluation of the Venezuelan bolivar fuerte ("VEF") late in the third quarter of Fiscal 2010. Higher pricing increased sales by 17.2%, largely due to price increases in Latin America taken to mitigate inflation. Volume decreased 4.5% as increases in the Middle East resulting from new products, market expansion and increased marketing and promotions were more than offset by declines in Venezuela resulting from labor disruptions which occurred during Fiscal 2011.

Gross profit decreased \$29 million, or 14.8%, to \$169 million, due mainly to the impact of VEF devaluation, increased commodity costs and lower volume, partially offset by increased pricing. Operating income decreased \$16 million, or 22.9%, to

\$53 million, reflecting the VEF devaluation. In order to facilitate timely reporting in Fiscal 2011, the operating results of Coniexpress in Brazil, which was acquired on April 1, 2011, was first reported in the Rest of World segment beginning in the first quarter of Fiscal 2012.

## Liquidity and Financial Position

For Fiscal 2012, cash provided by operating activities was \$1.49 billion compared to \$1.58 billion in the prior year. The decline in Fiscal 2012 versus Fiscal 2011 reflects the cash impact of spending on productivity initiatives, as well as unfavorable movements in accounts payable and accrued income taxes, partially offset by favorable movements in receivables and inventories. The Company's cash conversion cycle, which is calculated using a 5 quarter average, was consistent with the prior year at 42 days in Fiscal 2012.

In Fiscal 2012, cash required for productivity initiatives was \$122 million. The remaining cash required for these initiatives of approximately \$80 million is expected to be paid in the first quarter of Fiscal 2013. Ongoing pre-tax savings relative to these initiatives was approximately \$25 million in Fiscal 2012 and is expected to be approximately \$95 million in Fiscal 2013, the majority of which will be realized as a reduction in cost of products sold.

In Fiscal 2010, the Company entered into a three-year \$175 million accounts receivable securitization program. Under the terms of the agreement, the Company sells, on a revolving basis, U.S. trade receivables to a wholly-owned, bankruptcy-remote subsidiary. This subsidiary then sells all of the rights, title and interest in these receivables, all of which are short-term, to an unaffiliated entity in return for cash consideration of up to \$175 million and a receivable for the remainder of the purchase price (the "Deferred Purchase Price"). The cash consideration and the carrying amount of receivables removed from the consolidated balance sheets were \$162 million and \$29 million as of April 29, 2012 and April 27, 2011, respectively, resulting in an increase of \$133 million in cash for sales under this program for Fiscal 2012 and a decrease in cash of \$55 million for Fiscal 2011. The increase in cash proceeds related to the Deferred Purchase Price was \$117 million in Fiscal 2012 and was a decrease in cash of \$85 million in Fiscal 2011. See Note 8, "Debt and Financing Arrangements" in Item 8- "Financial Statements and Supplementary Data" for additional information. On June 8, 2012, subsequent to the Fiscal 2012 year end, the Company entered into an amendment of the \$175 million accounts receivables securitization program that extended the term until June 7, 2013.

During the second quarter of Fiscal 2012, a foreign subsidiary of the Company exercised a tax option under local law to revalue certain of its intangible assets, increasing the local tax basis by approximately \$220 million. This revaluation resulted in a reduction in Fiscal 2012 tax expense, fully recognized in Fiscal 2012, of \$35 million reflecting the deferred tax benefit from the higher tax basis partially offset by the current tax liability arising from this revaluation of \$35 million. The subsidiary paid \$10 million of the \$35 million during Fiscal 2012 and will pay approximately \$14 million in Fiscal 2013 with the remainder due during Fiscal 2014. The tax benefit from the higher basis amortization will result in a reduction in cash taxes over the five year amortization period totaling approximately \$69 million partially offset by the \$35 million aforementioned tax payments.

Cash used for investing activities totaled \$402 million compared to \$950 million of cash last year. Capital expenditures totaled \$419 million (3.6% of sales) compared to \$336 million (3.1% of sales) in the prior year, which is in-line with planned levels. Higher capital spending reflects increased investments in Project Keystone, capacity projects in emerging markets and productivity initiatives. The Company expects capital spending as a percentage of sales to be approximately 4% in Fiscal 2013. Proceeds from disposals of property, plant and equipment were \$10 million in the current year compared to \$13 million in the prior year. The current year increase in restricted cash of \$39 million primarily represents collateral that the Company is required to maintain in connection with a total rate of return swap entered into during the third quarter of Fiscal 2012. (See Note 13, "Derivative Financial Instruments and Hedging Activities" in Item 8- "Financial Statements and Supplementary Data" for additional information.) The prior year increase in restricted cash of \$5 million relates to restricted funds in our Foodstar business in China. Cash received for the sale of short-term investments in Brazil in the current year was \$57 million. Cash paid for acquisitions in the current year totaled \$3 million compared to \$618 million in the prior year primarily related to Coniexpress in Brazil and Foodstar in China.

Coniexpress is a leading Brazilian manufacturer of the *Quero*<sup>®</sup> brand of tomato-based sauces, tomato paste, ketchup, condiments and vegetables. The *Quero*<sup>®</sup> brand holds number one or number two positions in tomato product categories in Brazil and the leading position in vegetables. This Fiscal 2011 acquisition included a modern factory that is centrally located in Neropolis and a new distribution center. Based near Sao Paulo, the *Quero*<sup>®</sup> business has over 1,800 employees. The Company has the right to exercise a call option at any time requiring the minority partner to sell his 20% equity interest, while the minority partner has the right to exercise a put option requiring the Company to purchase his 20% equity interest (see Note 18, "Commitments and Contingencies" in Item 8- "Financial Statements and Supplementary Data" for additional explanation).

Foodstar is a manufacturer of soy sauces and fermented bean curd in China. The acquisition of Foodstar in Fiscal 2011 included a contingent earn-out payment in Fiscal 2014 based upon certain net sales and EBITDA (earnings before interest, taxes, depreciation and amortization) targets during Fiscals 2013 and 2014. In accordance with accounting principles generally accepted



in the United States of America, a liability of \$45 million was recognized as an estimate of the acquisition date fair value of the earn-out and is included in the Other non-current liabilities line item of our consolidated balance sheets as of April 29, 2012 and April 27, 2011. Any change in the fair value of the earn-out subsequent to the acquisition date, including an increase resulting from the passage of time, is and will be recognized in earnings in the period of the estimated fair value change. As of April 29, 2012, there was no significant change to the fair value of the earn-out recorded for Foodstar at the acquisition date. A change in fair value of the earn-out could have a material impact on the Company's earnings in the period of the change in estimate. The fair value of the earn-out was estimated using a discounted cash flow model. This fair value measurement is based on significant inputs not observed in the market and thus represents a Level 3 measurement. (See Note 11, "Fair Value Measurements" in Item 8- "Financial Statements and Supplementary Data" for the definition of a Level 3 instrument.) Key assumptions in determining the fair value of the earn-out include the discount rate and revenue and EBITDA projections for Fiscals 2013 and 2014.

Cash used for financing activities totaled \$363 million compared to \$483 million last year.

- Proceeds from long-term debt were \$1.91 billion in the current year and \$230 million in the prior year. During the fourth quarter of Fiscal 2012, the Company issued \$300 million 1.50% Notes due 2017 and \$300 million 2.85% Notes due 2022. During the second quarter of Fiscal 2012, the Company issued \$300 million 2.00% Notes due 2016 and \$400 million 3.125% Notes due 2021. During the first quarter of Fiscal 2012, the Company issued \$500 million of private placement notes at an average interest rate of 3.48% with maturities of three, five, seven and ten years. Additionally, during the first quarter of Fiscal 2012, the Company issued \$100 million of private placement notes at an average interest rate of 3.38% with maturities of five and seven years. The prior year proceeds relate to a variable rate, three-year 16 billion Japanese yen denominated credit agreement entered into in the third quarter of Fiscal 2011 which was swapped to \$193 million and the interest rate was fixed at 2.66%.
- The current year proceeds discussed above were used for the repayment of commercial paper and to pay off the Company's \$750 million of notes which matured on July 15, 2011 and \$600 million notes which matured on March 15, 2012. Overall, payments on long-term debt were \$1.44 billion in the current year compared to \$46 million in the prior year. The prior year proceeds discussed above were used in the funding of the Foodstar acquisition and for general corporate purposes.
- Net payments on commercial paper and short-term debt were \$43 million this year compared to \$193 million in the prior year.
- Cash payments for treasury stock purchases, net of cash from option exercises, used \$119 million of cash in the current year as the Company purchased 3.9 million shares of stock at a total cost of \$202 million, in-line with its strategy to hold fully diluted shares outstanding flat. Cash proceeds from option exercises, net of treasury stock purchases, provided \$85 million of cash in the prior year. During Fiscal 2011, the Company purchased 1.4 million shares of stock at a total cost of \$70 million.
- Dividend payments totaled \$619 million this year, compared to \$580 million for the same period last year, reflecting an increase in the annualized dividend per common share to \$1.92.
- During the second quarter of Fiscal 2012, the Company acquired an additional 10% interest in P.T. Heinz ABC Indonesia for \$55 million. P.T. Heinz ABC Indonesia is an Indonesian subsidiary of the Company that manufactures Asian sauces and condiments as well as juices and syrups. Prior to the transaction, the Company owned 65% of this business. During Fiscal 2011, \$6 million of cash was paid for the purchase of the remaining 21% interest in Heinz UFE Ltd., a Chinese subsidiary of the Company that manufactures infant feeding products.

During the first quarter of Fiscal 2012, the Company modified its \$1.2 billion credit agreement to increase the available borrowings under the facility to \$1.5 billion as well as to extend its maturity date from April 2012 to June 2016. The \$1.5 billion credit agreement supports the Company's commercial paper borrowings. As a result, the commercial paper borrowings, if any, are classified as long-term debt based upon the Company's intent and ability to refinance these borrowings on a long-term basis. The Company has historically maintained a commercial paper program that is used to fund operations in the U.S., principally within fiscal quarters. There were no commercial paper borrowings outstanding at April 29, 2012. The Company's average commercial paper borrowings during the fourth quarter of Fiscal 2012 was approximately \$700 million and the maximum amount of commercial paper borrowings outstanding during the fourth quarter of Fiscal 2012 was \$880 million. The Company's commercial paper maturities are funded principally through new issuances and are repaid by quarter-end using cash from operations and overseas cash which is available for use in the U.S. on a short-term basis without being subject to U.S. tax. In addition, the Company has \$500 million of foreign lines of credit available at April 29, 2012. Certain of the Company's debt agreements contain customary covenants, including a leverage ratio covenant. The Company was in compliance with all of its debt covenants as of April 29, 2012. In anticipation of these Fiscal 2012 modifications above, the Company terminated a \$500 million credit agreement during April 2011.

On August 6, 2009, H.J. Heinz Finance Company ("HFC") issued \$681 million of 7.125% notes due 2039, and paid \$218 million of cash, in exchange for \$681 million of its outstanding dealer remarketable securities ("DRS") due December 1, 2020. In addition, HFC terminated a portion of the remarketing option by paying the remarketing agent a cash payment of \$89 million. The exchange transaction was accounted for as a modification of debt. Accordingly, cash payments used in the exchange, including the payment to the remarketing agent, were accounted for as a reduction in the book value of the debt, and are being amortized to interest expense under the effective yield method. Additionally, the Company terminated its \$175 million notional total rate of return swap in August 2009 in connection with the DRS exchange transaction. (See Note 13, "Derivative Financial Instruments and Hedging Activities" in Item 8- "Financial Statements and Supplementary Data" for additional information.)

On December 1, 2011, the Company remarketed the remaining \$119 million remarketable securities. The next remarketing is scheduled for December 1, 2014. If these securities are not remarketed, then the Company is required to repurchase all of the remaining securities at 100% of the principal amount plus accrued interest. If the Company purchases or otherwise acquires these securities from the holders, the Company is required to pay to the holder of the remaining remarketing option the option settlement amount. This value fluctuates based on market conditions. Also on December 1, 2011, the Company entered into a three year total rate of return swap with a notional amount of \$119 million. The swap has not been designated as a hedge, but will have the economic impact of reducing a portion of the interest cost related to the remarketable securities. (See Note 13, "Derivative Financial Instruments and Hedging Activities" in Item 8- "Financial Statements and Supplementary Data" for additional information.)

At April 29, 2012, the Company had total debt of \$5.03 billion (including \$128 million relating to the hedge accounting adjustments) and cash and cash equivalents of \$1.33 billion. Total debt balances have increased since prior year end due to the items discussed above.

At April 29, 2012, approximately \$1.2 billion of cash and short-term investments was held by international subsidiaries whose undistributed earnings are considered permanently reinvested. Our intent is to reinvest these funds in our international operations and our current plans do not demonstrate a need to repatriate them to fund our U.S. operations. If we decide at a later date to repatriate these funds to the U.S., the Company would be required to provide taxes on these amounts based on the applicable U.S. tax rates net of credits for foreign taxes already paid.

After-tax return on invested capital ("ROIC") is calculated by taking net income attributable to H.J. Heinz Company, plus net interest expense net of tax, divided by average invested capital. Average invested capital is a five-point quarterly average of debt plus total H.J. Heinz Company shareholders' equity less cash and cash equivalents, short-term investments, restricted cash, and the hedge accounting adjustments. ROIC was 16.8% in Fiscal 2012, 19.3% in Fiscal 2011, and 17.8% in Fiscal 2010. Fiscal 2012 ROIC was unfavorably impacted by 240 basis points from charges for productivity initiatives and Fiscal 2012 and 2011 ROIC was unfavorably impacted by 120 and 60 basis points, respectively, as a result of the Quero and Foodstar acquisitions. Therefore, excluding these impacts, ROIC would have improved 50 basis points in Fiscal 2012 compared to 2011 which is largely due to higher earnings excluding charges for productivity initiatives in Fiscal 2012 compared to 2011. The increase in ROIC in Fiscal 2011 compared to Fiscal 2010 is largely due to higher earnings and reduced debt levels partially offset by higher equity reflecting the impact of cumulative translation adjustments. Fiscal 2010 ROIC was negatively impacted by 90 basis points for the losses on discontinued operations.

The Company will continue to monitor the credit markets to determine the appropriate mix of long-term debt and short-term debt going forward. The Company believes that its strong operating cash flow, existing cash balances, together with the credit facilities and other available capital market financing, will be adequate to meet the Company's cash requirements for operations, including capital spending, dividends to shareholders, debt maturities, acquisitions and share repurchases. While the Company is confident that its needs can be financed, there can be no assurance that increased volatility and disruption in the global capital and credit markets will not impair its ability to access these markets on commercially acceptable terms.

On May 24, 2012, the Company announced that its Board of Directors approved a 7.3% increase in the quarterly dividend on common stock from 48 cents to 51.5 cents, an annual indicative rate of \$2.06 per share for Fiscal 2013, effective with the July 2012 dividend payment. Fiscal 2013 dividend payments are expected to be approximately \$664 million.

## Contractual Obligations and Other Commitments

### Contractual Obligations

The Company is obligated to make future payments under various contracts such as debt agreements, lease agreements and unconditional purchase obligations. In addition, the Company has purchase obligations for materials, supplies, services and property, plant and equipment as part of the ordinary conduct of business. A few of these obligations are long-term and are based on minimum purchase requirements. Certain purchase obligations contain variable pricing components, and, as a result, actual cash payments are expected to fluctuate based on changes in these variable components. Due to the proprietary nature of some of the Company's materials and processes, certain supply contracts contain penalty provisions for early terminations. The Company does not believe that a material amount of penalties is reasonably likely to be incurred under these contracts based upon historical experience and current expectations.

The following table represents the contractual obligations of the Company as of April 29, 2012.

	<i>Fiscal Year</i>				<i>Total</i>
	<i>2013</i>	<i>2014-2015</i>	<i>2016-2017</i>	<i>2018 Forward</i>	
	<i>(In thousands)</i>				
Long Term Debt <sup>(1)</sup>	\$ 436,210	\$ 1,490,363	\$ 1,081,656	\$ 5,529,263	\$ 8,537,492
Capital Lease Obligations	9,208	19,463	19,522	17,707	65,900
Operating Leases	96,385	137,253	86,009	172,877	492,524
Purchase Obligations	985,678	676,159	92,989	28,013	1,782,839
Other Long Term Liabilities Recorded on the Balance Sheet	150,650	398,228	304,661	316,651	1,170,190
Total	<u>\$ 1,678,131</u>	<u>\$ 2,721,466</u>	<u>\$ 1,584,837</u>	<u>\$ 6,064,511</u>	<u>\$ 12,048,945</u>

- (1) Amounts include expected cash payments for interest on fixed rate long-term debt. Due to the uncertainty of forecasting expected variable rate interest payments, those amounts are not included in the table.

Other long-term liabilities primarily consist of certain specific incentive compensation arrangements and pension and postretirement benefit commitments. Long-term liabilities related to income taxes and insurance accruals included on the consolidated balance sheet are excluded from the table above as the Company is unable to estimate the timing of the payments for these items.

At April 29, 2012, the total amount of gross unrecognized tax benefits for uncertain tax positions, including an accrual of related interest and penalties along with positions only impacting the timing of tax benefits, was approximately \$81 million. The timing of payments will depend on the progress of examinations with tax authorities. The Company does not expect a significant tax payment related to these obligations within the next year. The Company is unable to make a reasonably reliable estimate as to when any significant cash settlements with taxing authorities may occur.

### Off-Balance Sheet Arrangements and Other Commitments

The Company does not have guarantees or other off-balance sheet financing arrangements that we believe are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources. In addition, the Company does not have any related party transactions that materially affect the results of operations, cash flow or financial condition.

As of April 29, 2012, the Company was a party to two operating leases for buildings and equipment under which the Company has guaranteed supplemental payment obligations of approximately \$134 million at the termination of these leases. The Company believes, based on current facts and circumstances, that any payment pursuant to these guarantees is remote.

The Company acted as servicer for \$162 million and \$29 million of U.S. trade receivables sold through an accounts receivable securitization program that are not recognized on the balance sheet as of April 29, 2012 and April 27, 2011, respectively. In addition, the Company acted as servicer for approximately \$206 million and \$146 million of trade receivables which were sold to unrelated third parties without recourse as of April 29, 2012 and April 27, 2011, respectively.

No significant credit guarantees existed between the Company and third parties as of April 29, 2012.

## Market Risk Factors

The Company is exposed to market risks from adverse changes in foreign exchange rates, interest rates, commodity prices and production costs. As a policy, the Company does not engage in speculative or leveraged transactions, nor does the Company hold or issue financial instruments for trading purposes.

**Foreign Exchange Rate Sensitivity:** The Company's cash flow and earnings are subject to fluctuations due to exchange rate variation. Foreign currency risk exists by nature of the Company's global operations. The Company manufactures and sells its products on six continents around the world, and hence foreign currency risk is diversified.

The Company may attempt to limit its exposure to changing foreign exchange rates through both operational and financial market actions. These actions may include entering into forward contracts, option contracts, or cross currency swaps to hedge existing exposures, firm commitments and forecasted transactions. The instruments are used to reduce risk by essentially creating offsetting currency exposures.

The following table presents information related to foreign currency contracts held by the Company:

	Aggregate Notional Amount		Net Unrealized Gains/(Losses)	
	April 29, 2012	April 27, 2011	April 29, 2012	April 27, 2011
	(In millions)			
Purpose of Hedge:				
Intercompany cash flows	\$ 1,090	1,031	\$ 13	29
Forecasted purchases of raw materials and finished goods and foreign currency denominated obligations	578	726	(5)	(32)
Forecasted sales and foreign currency denominated assets	245	104	9	12
	<u>\$ 1,913</u>	<u>1,861</u>	<u>\$ 17</u>	<u>9</u>

As of April 29, 2012, the Company's foreign currency contracts mature within three years. Contracts that meet qualifying criteria are accounted for as either foreign currency cash flow hedges, fair value hedges or net investment hedges of foreign operations. Any gains and losses related to contracts that do not qualify for hedge accounting are recorded in current period earnings in other income and expense.

Substantially all of the Company's foreign business units' financial instruments are denominated in their respective functional currencies. Accordingly, exposure to exchange risk on foreign currency financial instruments is not material. (See Note 13, "Derivative Financial Instruments and Hedging Activities" in Item 8—"Financial Statements and Supplementary Data.")

**Interest Rate Sensitivity:** The Company is exposed to changes in interest rates primarily as a result of its borrowing and investing activities used to maintain liquidity and fund business operations. The nature and amount of the Company's long-term and short-term debt can be expected to vary as a result of future business requirements, market conditions and other factors. The Company's debt obligations totaled \$5.03 billion (including \$128 million relating to hedge accounting adjustments) and \$4.61 billion (including \$151 million relating to hedge accounting adjustments) at April 29, 2012 and April 27, 2011, respectively. The Company's debt obligations are summarized in Note 8, "Debt and Financing Arrangements" in Item 8—"Financial Statements and Supplementary Data."

In order to manage interest rate exposure, the Company utilizes interest rate swaps to convert fixed-rate debt to floating. These derivatives are primarily accounted for as fair value hedges. Accordingly, changes in the fair value of these derivatives, along with changes in the fair value of the hedged debt obligations that are attributable to the hedged risk, are recognized in current period earnings. Based on the amount of fixed-rate debt converted to floating as of April 29, 2012, a variance of 1/8% in the related interest rate would cause annual interest expense related to this debt to change by approximately \$0.2 million. The following table presents additional information related to interest rate contracts designated as fair value hedges by the Company:

	April 29, 2012	April 27, 2011
	(Dollars in millions)	
Pay floating swaps—notional amount	\$ 160	\$ 1,510
Net unrealized gains	\$ 36	\$ 55
Weighted average maturity (years)	8.2	1.4
Weighted average receive rate	6.09%	6.30%
Weighted average pay rate	1.57%	1.32%

The Company entered into a three-year total rate of return swap with an unaffiliated international financial institution during the third quarter of Fiscal 2012 with a notional amount of \$119 million. This instrument is being used as an economic hedge to reduce the interest cost related to the Company's \$119 million remarketable securities. The swap is being accounted for on a full mark-to-market basis through current earnings, with gains and losses recorded as a component of interest income. During the fiscal year ended April 29, 2012, the Company recorded a \$0.1 million reduction in interest income, representing changes in the fair value of the swap and interest earned on the arrangement. Net unrealized gains totaled \$0.2 million as of April 29, 2012. In connection with this swap, the Company is required to maintain a restricted cash collateral balance of \$34 million with the counterparty for the term of the swap. See Note 13, "Derivative Financial Instruments and Hedging Activities" in Item 8-"Financial Statements and Supplementary Data" for additional information.

The Company had outstanding cross-currency interest rate swaps with a total notional amount of \$386 million and \$377 million as of April 29, 2012 and April 27, 2011, respectively, which were designated as cash flow hedges of the future payments of loan principal and interest associated with certain foreign denominated variable rate debt obligations. Net unrealized gains related to these swaps totaled \$20 million and \$9 million as of April 29, 2012 and April 27, 2011, respectively. These contracts are scheduled to mature in Fiscal 2013 and 2014.

**Effect of Hypothetical 10% Fluctuation in Market Prices:** As of April 29, 2012, the potential gain or loss in the fair value of the Company's outstanding foreign currency contracts, interest rate contracts and cross-currency interest rate swaps assuming a hypothetical 10% fluctuation in currency and swap rates would be approximately:

	<i>Fair Value Effect</i>
	<i>(In millions)</i>
Foreign currency contracts	\$ 145
Interest rate swap contracts	\$ 3
Cross-currency interest rate swaps	\$ 40

However, it should be noted that any change in the fair value of the contracts, real or hypothetical, would be significantly offset by an inverse change in the value of the underlying hedged items. In relation to currency contracts, this hypothetical calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar.

### **Venezuela- Foreign Currency and Inflation**

The Company applies highly inflationary accounting to its business in Venezuela. Under highly inflationary accounting, the financial statements of our Venezuelan subsidiary are remeasured into the Company's reporting currency (U.S. dollars) and exchange gains and losses from the remeasurement of monetary assets and liabilities are reflected in current earnings, rather than accumulated other comprehensive loss on the balance sheet, until such time as the economy is no longer considered highly inflationary. The impact of applying highly inflationary accounting for Venezuela on our consolidated financial statements is dependent upon movements in the official exchange rate between the Venezuelan bolivar fuerte and the U.S. dollar and the amount of net monetary assets and liabilities included in our subsidiary's balance sheet, which was \$100 million at April 29, 2012.

The Venezuelan government recently announced that it will be instituting price controls on a number of food and personal care products sold in the country. Such controls could impact the products that the Company currently sells within this country. In Fiscal 2012, sales in Venezuela represented less than 3% of the Company's total sales.

### **Recently Issued Accounting Standards**

See Note 2 to the Consolidated Financial Statements in Item 8-"Financial Statements and Supplementary Data" of this Form 10-K.

## Non-GAAP Measures

Included in this report are measures of financial performance that are not defined by generally accepted accounting principles in the United States (“GAAP”). Each of the measures is used in reporting to the Company's executive management and as a component of the Board of Directors' measurement of the Company's performance for incentive compensation purposes. Management and the Board of Directors believe that these measures provide useful information to investors, and include these measures in other communications to investors.

For each of these non-GAAP financial measures, a reconciliation of the differences between the non-GAAP measure and the most directly comparable GAAP measure has been provided. In addition, an explanation of why management believes the non-GAAP measure provides useful information to investors and any additional purposes for which management uses the non-GAAP measure are provided below. These non-GAAP measures should be viewed in addition to, and not in lieu of, the comparable GAAP measure.

### Results Excluding Charges for Productivity Initiatives

Management believes that this measure provides useful information to investors because it is the profitability measure used to evaluate earnings performance on a comparable year-over-year basis. The adjustments are charges for non-recurring productivity initiatives that, in management's judgment, significantly affect the year-over-year assessment of operating results. See the above “Productivity Initiatives” section for further explanation of these charges and the “Executive Overview” section above for the reconciliation of the Company's results excluding charges for productivity initiatives to the relevant GAAP measure.

### Organic Sales Growth

Organic sales growth is a non-GAAP measure that is defined as either volume plus price or total sales growth excluding the impact of foreign exchange and acquisitions and divestitures. This measure is utilized by senior management to provide investors with a more complete understanding of underlying sales trends by providing sales growth on a consistent basis. The limitation of this measure is its exclusion of the impact of foreign exchange and acquisitions and divestitures.

	<b>Organic Sales Growth</b>	+	<b>Foreign Exchange</b>	+	<b>Acquisitions/ Divestitures</b>	=	<b>Total Net Sales Change</b>
FY12 Total Company	3.5%		1.8 %		3.5%		8.8%
FY12 global ketchup	8.0%		0.5 %		1.2%		9.7%
FY12 Emerging Markets	16.4%		(0.4)%		24.9%		40.9%
FY12 Top 15 brands	5.0%		1.7 %		5.6%		12.3%

### Operating Free Cash Flow

Operating free cash flow is defined by the Company as cash flow from operations less capital expenditures net of proceeds from disposal of property, plant and equipment. This measure is utilized by senior management and the Board of Directors to gauge the Company's business operating performance, including the progress of management to profitably monetize low return assets. The limitation of operating free cash flow is that it adjusts for cash used for capital expenditures and cash received from disposals of property, plant and equipment, the net of which is no longer available to the Company for other purposes. Management compensates for this limitation by using the GAAP operating cash flow number as well. Operating free cash flow does not represent residual cash flow available for discretionary expenditures and does not provide insight to the entire scope of the historical cash inflows or outflows of the Company's operations that are captured in the other cash flow measures reported in the statement of cash flows.

<b>Total Company (in millions)</b>	<b>2012</b>
Cash provided by operating activities	\$ 1,493.1
Capital expenditures	(418.7)
Proceeds from disposals of property, plant and equipment	9.8
Operating Free Cash Flow	\$ 1,084.2
Cash paid for productivity initiatives	121.9
Operating Free Cash Flow excluding cash paid for productivity initiatives	\$ 1,206.1

(Totals may not add due to rounding)

## Discussion of Significant Accounting Estimates

In the ordinary course of business, the Company has made a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of its financial statements in conformity with GAAP. Actual results could differ significantly from those estimates under different assumptions and conditions. The Company believes that the following discussion addresses its most critical accounting policies, which are those that are most important to the portrayal of the Company's financial condition and results and require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

*Marketing Costs*—Trade promotions are an important component of the sales and marketing of the Company's products and are critical to the support of the business. Trade promotion costs include amounts paid to retailers to offer temporary price reductions for the sale of the Company's products to consumers, amounts paid to obtain favorable display positions in retailers' stores, and amounts paid to customers for shelf space in retail stores. Accruals for trade promotions are initially recorded at the time of sale of product to the customer based on an estimate of the expected levels of performance of the trade promotion, which is dependent upon factors such as historical trends with similar promotions, expectations regarding customer participation, and sales and payment trends with similar previously offered programs. Our original estimated costs of trade promotions may change in the future as a result of changes in customer participation, particularly for new programs and for programs related to the introduction of new products. We perform monthly evaluations of our outstanding trade promotions, making adjustments where appropriate to reflect changes in estimates. Settlement of these liabilities typically occurs in subsequent periods primarily through an authorization process for deductions taken by a customer from amounts otherwise due to the Company. As a result, the ultimate cost of a trade promotion program is dependent on the relative success of the events and the actions and level of deductions taken by the Company's customers for amounts they consider due to them. Final determination of the permissible deductions may take extended periods of time and could have a significant impact on the Company's results of operations depending on how actual results of the programs compare to original estimates.

We offer coupons to consumers in the normal course of our business. Expenses associated with this activity, which we refer to as coupon redemption costs, are accrued in the period in which the coupons are offered. The initial estimates made for each coupon offering are based upon historical redemption experience rates for similar products or coupon amounts. We perform monthly evaluations of outstanding coupon accruals that compare actual redemption rates to the original estimates. We review the assumptions used in the valuation of the estimates and determine an appropriate accrual amount. Adjustments to our initial accrual may be required if actual redemption rates vary from estimated redemption rates.

*Long-lived Assets, including Property, Plant and Equipment*—Long-lived assets are recorded at their respective cost basis on the date of acquisition. Buildings, equipment and leasehold improvements are depreciated on a straight-line basis over the estimated useful life of such assets. The Company reviews long-lived assets, including intangibles with finite useful lives, and property, plant and equipment, whenever circumstances change such that the recorded value of an asset, or asset group, may not be recoverable. Factors that may affect recoverability include changes to the planned use of the asset and the closing of facilities. The estimates implicit in a recoverability test require significant judgment on the part of management, and require assumptions that can include: future volume trends and revenue and expense growth rates developed in connection with the Company's internal projections and annual operating plans, and in addition, external factors such as changes in macroeconomic trends. As each is management's best estimate on then available information, resulting estimates may differ from actual cash flows and estimated fair values. When the carrying value of an asset, or asset group, exceeds the future undiscounted cash flows, an impairment is indicated and the asset is written down to its fair value.

*Goodwill and Indefinite-Lived Intangibles*—Carrying values of goodwill and intangible assets with indefinite lives are reviewed for impairment at least annually, or when circumstances indicate that a possible impairment may exist. Indicators such as unexpected adverse economic factors, unanticipated technological change or competitive activities, decline in expected cash flows, lower growth rates, loss of key personnel, and changes in regulation, may signal that an asset has become impaired.

All goodwill is assigned to reporting units, which are primarily one level below our operating segments. Goodwill is assigned to the reporting unit that benefits from the cash flows arising from each business combination. The Company performs its impairment tests of goodwill at the reporting unit level. The Company has 19 reporting units globally that have assigned goodwill and are thus required to be evaluated for impairment. The Company tests goodwill for impairment by either performing a qualitative evaluation or a two-step quantitative test. The qualitative evaluation is an assessment of factors to determine whether it is more likely than not that the fair values of a reporting unit is less than its carrying amount, including goodwill. The Company may elect to bypass this qualitative assessment for some or all of its reporting units and perform a two-step quantitative test.

The Company's estimates of fair value when testing for impairment of both goodwill and intangible assets with indefinite lives is based on a discounted cash flow model as management believes forecasted cash flows are the best indicator of fair



value. A number of significant assumptions and estimates are involved in the application of the discounted cash flow model, including future volume trends, revenue and expense growth rates, terminal growth rates, weighted-average cost of capital, tax rates, capital spending and working capital changes. The assumptions used in the discounted cash flow models were determined utilizing historical data, current and anticipated market conditions, product category growth rates, management plans, and market comparables. Most of these assumptions vary among the reporting units, but generally, higher assumed growth rates and discount rates were utilized for tests of reporting units for which the principal market is an emerging market compared to those for which the principal market is a developed market. For each of the reporting units tested quantitatively, and for indefinite-lived intangible assets, we used a market-participant, risk-adjusted-weighted-average cost of capital to discount the projected cash flows of those operations or assets. Such discount rates ranged from 7% to 15% in Fiscal 2012. Management believes the assumptions used for the impairment evaluation are consistent with those that would be utilized by market participants performing similar valuations of our reporting units. We validated our fair values for reasonableness by comparing the sum of the fair values for all of our reporting units, including those with no assigned goodwill, to our market capitalization and a reasonable control premium.

During the fourth quarter of Fiscal 2012, the Company completed its annual review of goodwill and indefinite-lived intangible assets. No impairments were identified during the Company's annual assessment of goodwill and indefinite-lived intangible assets. We performed a qualitative assessment over 11 of the Company's 19 reporting units. Factors considered as part of the qualitative assessment process include reporting unit specific operating results as well as industry, market and general economic conditions. In addition, the results of the Fiscal 2011 quantitative test performed for these 11 reporting units were considered, and these tests each indicated that the fair values of these reporting units significantly exceeded their carrying amounts. We concluded that there were no significant events in Fiscal 2012 which had a material impact on the fair values of these reporting units.

For the 8 reporting units which were tested quantitatively, the fair values of each reporting unit significantly exceeded their carrying values, with the exception of one reporting unit, where the fair value exceeded the carrying value of its net assets by 9%. The goodwill associated with this reporting unit was \$40 million as of April 29, 2012.

*Retirement Benefits*—The Company sponsors pension and other retirement plans in various forms covering substantially all employees who meet eligibility requirements. Several actuarial and other factors that attempt to anticipate future events are used in calculating the expense and obligations related to the plans. These factors include assumptions about the discount rate, expected return on plan assets, turnover rates and rate of future compensation increases as determined by the Company, within certain guidelines. In addition, the Company uses best estimate assumptions, provided by actuarial consultants, for withdrawal and mortality rates to estimate benefit expense. The financial and actuarial assumptions used by the Company may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in a significant impact to the amount of pension expense recorded by the Company.

The Company recognized pension expense related to defined benefit programs of \$25 million, \$27 million, and \$25 million for fiscal years 2012, 2011, and 2010, respectively, which reflected expected return on plan assets of \$235 million, \$229 million, and \$211 million, respectively. The Company contributed \$23 million to its pension plans in Fiscal 2012 compared to \$22 million in Fiscal 2011 and \$540 million in Fiscal 2010. The Company expects to contribute approximately \$80 million to its pension plans in Fiscal 2013.

One of the significant assumptions for pension plan accounting is the expected rate of return on pension plan assets. Over time, the expected rate of return on assets should approximate actual long-term returns. In developing the expected rate of return, the Company considers average real historic returns on asset classes, the investment mix of plan assets, investment manager performance and projected future returns of asset classes developed by respected advisors. When calculating the expected return on plan assets, the Company primarily uses a market-related-value of assets that spreads asset gains and losses (difference between actual return and expected return) uniformly over 3 years. The weighted average expected rate of return on plan assets used to calculate annual expense was 8.2% for the years ended April 29, 2012 and April 27, 2011, and 8.1% for the year ended April 28, 2010. For purposes of calculating Fiscal 2013 expense, the weighted average rate of return will be 8.2%.

Another significant assumption used to value benefit plans is the discount rate. The discount rate assumptions used to value pension and postretirement benefit obligations reflect the rates available on high quality fixed income investments available (in each country where the Company operates a benefit plan) as of the measurement date. The Company uses bond yields of appropriate duration for each country by matching it with the duration of plan liabilities. The weighted average discount rate used to measure the projected benefit obligation for the year ending April 29, 2012 decreased to 4.8% from 5.5% as of April 27, 2011.

Deferred gains and losses result from actual experience differing from expected financial and actuarial assumptions. The pension plans currently have a deferred loss amount of \$1.17 billion at April 29, 2012. Deferred gains and losses are amortized through the actuarial calculation into annual expense over the estimated average remaining service period of plan participants,

which is currently 10 years. However, if all or almost all of a plan's participants are inactive, deferred gains and losses are amortized through the actuarial calculation into annual expense over the estimated average remaining life expectancy of the inactive participants.

The Company's investment policy specifies the type of investment vehicles appropriate for the Plan, asset allocation guidelines, criteria for the selection of investment managers, procedures to monitor overall investment performance as well as investment manager performance. It also provides guidelines enabling Plan fiduciaries to fulfill their responsibilities.

The Company's defined benefit pension plans' weighted average actual and target asset allocation at April 29, 2012 and April 27, 2011 were as follows:

Asset Category	Plan Assets at		Target Allocation at	
	2012	2011	2012	2011
Equity securities	61%	62%	59%	58%
Debt securities	31%	32%	32%	32%
Real estate	7%	3%	8%	9%
Other	1%	3%	1%	1%
	100%	100%	100%	100%

The Company also provides certain postretirement health care benefits. The postretirement health care benefit expense and obligation are determined using the Company's assumptions regarding health care cost trend rates. The health care trend rates are developed based on historical cost data, the near-term outlook on health care trends and the likely long-term trends. The postretirement health care benefit obligation at April 29, 2012 was determined using an average initial health care trend rate of 7.1% which gradually decreases to an average ultimate rate of 4.8% in 5 years. A one percentage point increase in the assumed health care cost trend rate would increase the service and interest cost components of annual expense by \$2 million and increase the benefit obligation by \$18 million. A one percentage point decrease in the assumed health care cost trend rates would decrease the service and interest cost by \$1 million and decrease the benefit obligation by \$16 million.

The Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010, and on March 30, 2010, the Health Care and Education Reconciliation Act of 2010 (HCERA) was signed into law, which amends certain aspects of the PPACA. Among other things, the PPACA reduces the tax benefits available to an employer that receives the Medicare Part D subsidy. As a result of the PPACA, the Company was required to recognize in Fiscal 2010 tax expense of \$4 million (approximately \$0.01 per share) related to reduced deductibility in future periods of the postretirement prescription drug coverage. The PPACA and HCERA will have both immediate and long-term ramifications for many employers, including the Company, that provide retiree health benefits.

### ***Sensitivity of Assumptions***

If we assumed a 100 basis point change in the following rates, the Company's Fiscal 2012 projected benefit obligation and expense would increase (decrease) by the following amounts (in millions):

	100 Basis Point	
	Increase	Decrease
<b>Pension benefits</b>		
Discount rate used in determining projected benefit obligation	\$(339)	\$406
Discount rate used in determining net pension expense	\$(33)	\$36
Long-term rate of return on assets used in determining net pension expense	\$(29)	\$29
<b>Other benefits</b>		
Discount rate used in determining projected benefit obligation	\$(21)	\$24
Discount rate used in determining net benefit expense	\$(2)	\$1

**Income Taxes**—The Company computes its annual tax rate based on the statutory tax rates and tax planning opportunities available to it in the various jurisdictions in which it earns income. Significant judgment is required in determining the Company's annual tax rate and in evaluating uncertainty in its tax positions. The Company recognizes a benefit for tax positions that it believes will more likely than not be sustained upon examination. The amount of benefit recognized is the largest amount of benefit that

the Company believes has more than a 50% probability of being realized upon settlement. The Company regularly monitors its tax positions and adjusts the amount of recognized tax benefit based on its evaluation of information that has become available since the end of its last financial reporting period. The annual tax rate includes the impact of these changes in recognized tax benefits. When adjusting the amount of recognized tax benefits the Company does not consider information that has become available after the balance sheet date, but does disclose the effects of new information whenever those effects would be material to the Company's financial statements. The difference between the amount of benefit taken or expected to be taken in a tax return and the amount of benefit recognized for financial reporting represents unrecognized tax benefits. These unrecognized tax benefits are presented in the balance sheet principally within other non-current liabilities.

The Company records valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. When assessing the need for valuation allowances, the Company considers future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the realizability of deferred tax assets in future years, the Company would adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income.

The Company has a significant amount of undistributed earnings of foreign subsidiaries that are considered to be indefinitely reinvested. Our intent is to continue to reinvest these earnings to support our priorities for growth in international markets and our current plans do not demonstrate a need to repatriate them to fund our U.S. operations. If we decided at a later date to repatriate these funds to the U.S., the Company would be required to provide taxes on these amounts based on the applicable U.S. tax rates net of credits for foreign taxes already paid. The Company has not determined the deferred tax liability associated with these undistributed earnings, as such determination is not practicable. The Company believes it is not practicable to calculate the deferred tax liability associated with these undistributed earnings as there is a significant amount of uncertainty with respect to the tax impact resulting from the significant judgment required to analyze the amount of foreign tax credits attributable to the earnings, the potential timing of any distributions, as well as the local withholding tax and other indirect tax consequences that may arise due to the potential distribution of these earnings.

### **Input Costs**

In general, the effects of cost inflation may be experienced by the Company in future periods. During Fiscals 2012, 2011, and 2010, the Company experienced wide-spread inflationary increases in commodity input costs, which is expected to continue in Fiscal 2013. Price increases and continued productivity improvements are expected to more than offset these cost increases.

## Stock Market Information

H. J. Heinz Company common stock is traded principally on The New York Stock Exchange under the symbol HNZ. The number of shareholders of record of the Company's common stock as of May 31, 2012 approximated 33,400. The closing price of the common stock on The New York Stock Exchange composite listing on April 29, 2012 was \$53.16.

Stock price information for common stock by quarter follows:

	<i>Stock Price Range</i>	
	<i>High</i>	<i>Low</i>
<b>2012</b>		
First	\$ 55.00	\$ 50.95
Second	53.46	48.17
Third	54.82	49.75
Fourth	54.83	51.51
<b>2011</b>		
First	\$ 47.48	\$ 40.00
Second	49.95	44.35
Third	50.77	47.51
Fourth	51.38	46.99

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

This information is set forth in this report in Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 22 through 23.

**Item 8. Financial Statements and Supplementary Data.**

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## **Report of Management on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, 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 in the United States of America, and includes those policies and procedures that:

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles;
- (3) Provide reasonable assurance that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- (4) 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.

Management has used the framework set forth in the report entitled "Internal Control—Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of the Company's internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of the end of the most recent fiscal year. PricewaterhouseCoopers LLP, an independent registered public accounting firm, audited the effectiveness of the Company's internal control over financial reporting as of April 29, 2012, as stated in their report which appears herein.

/s/ William R. Johnson  
Chairman, President and  
Chief Executive Officer

/s/ Arthur B. Winkleblack  
Executive Vice President and  
Chief Financial Officer

June 15, 2012

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of  
H. J. Heinz Company:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of H. J. Heinz Company and its subsidiaries at April 29, 2012 and April 27, 2011, and the results of their operations and their cash flows for each of the three years in the period ended April 29, 2012 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 29, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the Report of Management on Internal Control over Financial Reporting appearing under Item 8. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide 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.

/s/ PRICEWATERHOUSECOOPERS LLP

Pittsburgh, Pennsylvania  
June 15, 2012



## H. J. Heinz Company and Subsidiaries

### Consolidated Statements of Income

	<i>Fiscal Year Ended</i>		
	<i>April 29, 2012</i>	<i>April 27, 2011</i>	<i>April 28, 2010</i>
	<i>(52 1/2 Weeks)</i>	<i>(52 Weeks)</i>	<i>(52 Weeks)</i>
	<i>(In thousands, except per share amounts)</i>		
Sales	\$ 11,649,079	\$ 10,706,588	\$ 10,494,983
Cost of products sold	7,649,549	6,754,048	6,700,677
Gross profit	3,999,530	3,952,540	3,794,306
Selling, general and administrative expenses	2,548,362	2,304,350	2,235,078
Operating income	1,451,168	1,648,190	1,559,228
Interest income	34,615	22,565	45,137
Interest expense	294,104	275,398	295,711
Other expense, net	(8,236)	(21,188)	(18,200)
Income from continuing operations before income taxes	1,183,443	1,374,169	1,290,454
Provision for income taxes	243,535	368,221	358,514
Income from continuing operations	939,908	1,005,948	931,940
Loss from discontinued operations, net of tax	—	—	(49,597)
Net income	939,908	1,005,948	882,343
Less: Net income attributable to the noncontrolling interest	16,749	16,438	17,451
Net income attributable to H. J. Heinz Company	\$ 923,159	\$ 989,510	\$ 864,892
Income/(loss) per common share:			
Diluted			
Continuing operations attributable to H. J. Heinz Company common shareholders	\$ 2.85	\$ 3.06	\$ 2.87
Discontinued operations attributable to H. J. Heinz Company common shareholders	—	—	(0.16)
Net income attributable to H. J. Heinz Company common shareholders	\$ 2.85	\$ 3.06	\$ 2.71
Average common shares outstanding—diluted	323,321	323,042	318,113
Basic			
Continuing operations attributable to H. J. Heinz Company common shareholders	\$ 2.87	\$ 3.09	\$ 2.89
Discontinued operations attributable to H. J. Heinz Company common shareholders	—	—	(0.16)
Net income attributable to H. J. Heinz Company common shareholders	\$ 2.87	\$ 3.09	\$ 2.73
Average common shares outstanding—basic	320,686	320,118	315,948
Cash dividends per share	\$ 1.92	\$ 1.80	\$ 1.68
Amounts attributable to H. J. Heinz Company common shareholders:			
Income from continuing operations, net of tax	\$ 923,159	\$ 989,510	\$ 914,489
Loss from discontinued operations, net of tax	—	—	(49,597)
Net income	\$ 923,159	\$ 989,510	\$ 864,892

See Notes to Consolidated Financial Statements

## H. J. Heinz Company and Subsidiaries

### Consolidated Balance Sheets

	<i>April 29, 2012</i>	<i>April 27, 2011</i>
	<i>(In thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,330,441	\$ 724,311
Trade receivables (net of allowances: 2012—\$10,680 and 2011—\$10,909)	815,600	1,039,064
Other receivables (net of allowances: 2012—\$607 and 2011—\$503)	177,910	225,968
Inventories:		
Finished goods and work-in-process	1,082,317	1,165,069
Packaging material and ingredients	247,034	286,477
Total inventories	1,329,351	1,451,546
Prepaid expenses	174,795	159,521
Other current assets	54,139	153,132
Total current assets	3,882,236	3,753,542
Property, plant and equipment:		
Land	81,185	85,457
Buildings and leasehold improvements	1,009,379	1,019,311
Equipment, furniture and other	4,175,997	4,119,947
	5,266,561	5,224,715
Less accumulated depreciation	2,782,423	2,719,632
Total property, plant and equipment, net	2,484,138	2,505,083
Other non-current assets:		
Goodwill	3,185,527	3,298,441
Trademarks, net	1,090,892	1,156,221
Other intangibles, net	407,802	442,563
Other non-current assets	932,698	1,074,795
Total other non-current assets	5,616,919	5,972,020
Total assets	\$ 11,983,293	\$ 12,230,645

See Notes to Consolidated Financial Statements

# H. J. Heinz Company and Subsidiaries

## Consolidated Balance Sheets

	April 29, 2012	April 27, 2011
	(In thousands)	
<b>Liabilities and Equity</b>		
Current liabilities:		
Short-term debt	\$ 46,460	\$ 87,800
Portion of long-term debt due within one year	200,248	1,447,132
Trade payables	1,202,398	1,337,620
Other payables	146,414	162,047
Accrued marketing	303,132	313,389
Other accrued liabilities	647,769	715,147
Income taxes	101,540	98,325
Total current liabilities	2,647,961	4,161,460
Long-term debt and other non-current liabilities:		
Long-term debt	4,779,981	3,078,128
Deferred income taxes	817,928	897,179
Non-pension post-retirement benefits	231,452	216,172
Other non-current liabilities	581,390	570,571
Total long-term debt and other non-current liabilities	6,410,751	4,762,050
Redeemable noncontrolling interest	113,759	124,669
Equity:		
Capital stock:		
Third cumulative preferred, \$1.70 first series, \$10 par value <sup>(1)</sup>	61	69
Common stock, 431,096 shares issued, \$0.25 par value	107,774	107,774
	107,835	107,843
Additional capital	594,608	629,367
Retained earnings	7,567,278	7,264,678
	8,269,721	8,001,888
Less:		
Treasury shares, at cost (110,870 shares at April 29, 2012 and 109,818 shares at April 27, 2011)	4,666,404	4,593,362
Accumulated other comprehensive loss	844,728	299,564
Total H.J. Heinz Company shareholders' equity	2,758,589	3,108,962
Noncontrolling interest	52,233	73,504
Total equity	2,810,822	3,182,466
Total liabilities and equity	\$ 11,983,293	\$ 12,230,645

- (1) The preferred stock outstanding is convertible at a rate of one share of preferred stock into 15 shares of common stock. The Company can redeem the stock at \$28.50 per share. As of April 29, 2012, there were authorized, but unissued, 2,200 shares of third cumulative preferred stock for which the series had not been designated.

See Notes to Consolidated Financial Statements

## H. J. Heinz Company and Subsidiaries

### Consolidated Statements of Equity

	April 29, 2012		April 27, 2011		April 28, 2010	
	Shares	Dollars	Shares	Dollars	Shares	Dollars
<i>(In thousands, except per share amounts)</i>						
<b>PREFERRED STOCK</b>						
Balance at beginning of year	7	\$ 69	7	\$ 70	7	\$ 70
Conversion of preferred into common stock	(1)	(8)	—	(1)	—	—
Balance at end of year	6	61	7	69	7	70
Authorized shares- April 29, 2012	6					
<b>COMMON STOCK</b>						
Balance at beginning of year	431,096	107,774	431,096	107,774	431,096	107,774
Balance at end of year	431,096	107,774	431,096	107,774	431,096	107,774
Authorized shares- April 29, 2012	600,000					
<b>ADDITIONAL CAPITAL</b>						
Balance at beginning of year		629,367		657,596		737,917
Conversion of preferred into common stock		(539)		(39)		(29)
Stock options exercised, net of shares tendered for payment		(15,220) <sup>(3)</sup>		(26,482) <sup>(3)</sup>		(21,717) <sup>(3)</sup>
Stock option expense		10,864		9,447		7,897
Restricted stock unit activity		4,305		(8,119)		(9,698)
Purchase of subsidiary shares from noncontrolling interests <sup>(1)</sup>		(34,483)		(2,411)		(54,209)
Other, net <sup>(2)</sup>		314		(625)		(2,565)
Balance at end of year		594,608		629,367		657,596
<b>RETAINED EARNINGS</b>						
Balance at beginning of year		7,264,678		6,856,033		6,525,719
Net income attributable to H.J. Heinz Company		923,159		989,510		864,892
Cash dividends:						
Preferred (per share \$1.70 per share in 2012, 2011 and 2010)		(9)		(12)		(9)
Common (per share \$1.92, \$1.80, and \$1.68 in 2012, 2011 and 2010, respectively)		(619,095)		(579,606)		(533,543)
Other <sup>(4)</sup>		(1,455)		(1,247)		(1,026)
Balance at end of year		7,567,278		7,264,678		6,856,033
<b>TREASURY STOCK</b>						
Balance at beginning of year	(109,819)	(4,593,362)	(113,404)	(4,750,547)	(116,237)	(4,881,842)
Shares reacquired	(3,860)	(201,904)	(1,425)	(70,003)	—	—
Conversion of preferred into common stock	12	547	1	40	1	29
Stock options exercised, net of shares tendered for payment	2,298	105,144	4,495	203,196	2,038	94,315
Restricted stock unit activity	303	14,087	296	13,756	470	21,864
Other, net <sup>(2)</sup>	195	9,084	218	10,196	324	15,087
Balance at end of year	(110,871)	\$ (4,666,404)	(109,819)	\$ (4,593,362)	(113,404)	\$ (4,750,547)

(1) See Note No. 5 for further details.

(2) Includes activity of the Global Stock Purchase Plan.

(3) Includes income tax benefit resulting from exercised stock options.

(4) Includes unpaid dividend equivalents on restricted stock units.

(5) Comprised of unrealized translation adjustment of \$(23,152), pension and post-retirement benefits net prior service cost of \$(12,134) and net losses of \$(816,060), and deferred net losses on derivative financial instruments of \$6,618.

See Notes to Consolidated Financial Statements

## H. J. Heinz Company and Subsidiaries

### Consolidated Statements of Equity

	<i>April 29, 2012</i>		<i>April 27, 2011</i>		<i>April 28, 2010</i>	
	<i>Shares</i>	<i>Dollars</i>	<i>Shares</i>	<i>Dollars</i>	<i>Shares</i>	<i>Dollars</i>
<i>(In thousands, except per share amounts)</i>						
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>						
Balance at beginning of year		\$ (299,564)		\$ (979,581)		\$ (1,269,700)
Net pension and post-retirement benefit (losses)/gains		(258,067)		77,355		78,871
Reclassification of net pension and post-retirement benefit losses to net income		56,813		53,353		38,903
Unrealized translation adjustments		(359,771)		563,060		193,600
Net change in fair value of cash flow hedges		30,405		9,790		(32,488)
Net hedging (gains)/losses reclassified into earnings		(14,088)		(21,365)		13,431
Purchase of subsidiary shares from noncontrolling interests <sup>(1)</sup>		(456)		(2,176)		(2,198)
Balance at end of year		<u>(844,728) <sup>(5)</sup></u>		<u>(299,564)</u>		<u>(979,581)</u>
<b>TOTAL H.J. HEINZ COMPANY SHAREHOLDERS' EQUITY</b>		<u>2,758,589</u>		<u>3,108,962</u>		<u>1,891,345</u>
<b>NONCONTROLLING INTEREST</b>						
Balance at beginning of year		73,504		57,151		59,167
Net income attributable to the noncontrolling interest		15,884		16,438		17,451
Other comprehensive income, net of tax:						
Net pension and post-retirement benefit losses		(12)		(57)		(1,266)
Unrealized translation adjustments		(5,945)		4,816		8,411
Net change in fair value of cash flow hedges		(28)		(395)		(788)
Net hedging losses reclassified into earnings		277		571		254
Purchase of subsidiary shares from noncontrolling interests <sup>(1)</sup>		(19,885)		(1,750)		(5,467)
Dividends paid to noncontrolling interest		(11,562)		(3,270)		(20,611)
Balance at end of year		<u>52,233</u>		<u>73,504</u>		<u>57,151</u>
<b>TOTAL EQUITY</b>		<u>\$ 2,810,822</u>		<u>\$ 3,182,466</u>		<u>\$ 1,948,496</u>
<b>COMPREHENSIVE INCOME</b>						
Net income		\$ 939,908		\$ 1,005,948		\$ 882,343
Other comprehensive income/loss, net of tax:						
Net pension and post-retirement benefit (losses)/gains		(258,079)		77,298		77,605
Reclassification of net pension and post-retirement benefit losses to net income		56,813		53,353		38,903
Unrealized translation adjustments		(377,491)		567,876		202,011
Net change in fair value of cash flow hedges		30,377		9,395		(33,276)
Net hedging (gains)/losses reclassified into earnings		(13,811)		(20,794)		13,685
Total comprehensive income		<u>377,717</u>		<u>1,693,076</u>		<u>1,181,271</u>
Comprehensive loss/(income) attributable to the noncontrolling interest		734		(21,373)		(24,062)
Comprehensive income attributable to H.J. Heinz Company		<u>\$ 378,451</u>		<u>\$ 1,671,703</u>		<u>\$ 1,157,209</u>

Note: See Footnote explanations on Page 36.

See Notes to Consolidated Financial Statements

## H. J. Heinz Company and Subsidiaries

### Consolidated Statements of Cash Flows

	<i>Fiscal Year Ended</i>		
	<i>April 29, 2012</i>	<i>April 27, 2011</i>	<i>April 28, 2010</i>
	<i>(52 1/2 Weeks)</i>	<i>(52 Weeks)</i>	<i>(52 Weeks)</i>
	<i>(In thousands)</i>		
<b>Operating activities:</b>			
Net income	\$ 939,908	\$ 1,005,948	\$ 882,343
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	295,718	255,227	254,528
Amortization	47,075	43,433	48,308
Deferred tax (benefit)/provision	(94,816)	153,725	220,528
Net losses on divestitures	—	—	44,860
Pension contributions	(23,469)	(22,411)	(539,939)
Asset write-downs from Fiscal 2012 productivity initiatives	58,736	—	—
Other items, net	75,375	98,172	90,938
Changes in current assets and liabilities, excluding effects of acquisitions and divestitures:			
Receivables (includes proceeds from securitization)	171,832	(91,057)	121,387
Inventories	60,919	(80,841)	48,537
Prepaid expenses and other current assets	(11,584)	(1,682)	2,113
Accounts payable	(72,352)	233,339	(2,805)
Accrued liabilities	(20,008)	(60,862)	96,533
Income taxes	65,783	50,652	(5,134)
Cash provided by operating activities	<u>1,493,117</u>	<u>1,583,643</u>	<u>1,262,197</u>
<b>Investing activities:</b>			
Capital expenditures	(418,734)	(335,646)	(277,642)
Proceeds from disposals of property, plant and equipment	9,817	13,158	96,493
Acquisitions, net of cash acquired	(3,250)	(618,302)	(11,428)
Proceeds from divestitures	3,828	1,939	18,637
Sale of short-term investments	56,780	—	—
Change in restricted cash	(39,052)	(5,000)	192,736
Other items, net	(11,394)	(5,781)	(5,353)
Cash (used for)/provided by investing activities	<u>(402,005)</u>	<u>(949,632)</u>	<u>13,443</u>
<b>Financing activities:</b>			
Payments on long-term debt	(1,440,962)	(45,766)	(630,394)
Proceeds from long-term debt	1,912,467	229,851	447,056
Net payments on commercial paper and short-term debt	(42,543)	(193,200)	(427,232)
Dividends	(619,104)	(579,618)	(533,552)
Purchases of treasury stock	(201,904)	(70,003)	—
Exercise of stock options	82,714	154,774	67,369
Acquisition of subsidiary shares from noncontrolling interests	(54,824)	(6,338)	(62,064)
Other items, net	1,321	27,791	(9,099)
Cash used for financing activities	<u>(362,835)</u>	<u>(482,509)</u>	<u>(1,147,916)</u>
Effect of exchange rate changes on cash and cash equivalents	(122,147)	89,556	(17,616)
Net increase in cash and cash equivalents	606,130	241,058	110,108
Cash and cash equivalents at beginning of year	724,311	483,253	373,145
Cash and cash equivalents at end of year	<u>\$ 1,330,441</u>	<u>\$ 724,311</u>	<u>\$ 483,253</u>

See Notes to Consolidated Financial Statements

**H. J. Heinz Company and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**1. Significant Accounting Policies**

***Fiscal Year:***

H. J. Heinz Company (the “Company”) operates on a 52-week or 53-week fiscal year end. On March 14, 2012, the Board of Directors of the Company authorized a change in the Company's fiscal year end from the Wednesday nearest April 30 to the Sunday nearest April 30. The change in the fiscal year end resulted in Fiscal 2012 changing from a 53 week year to a 52 1/2 week year and was intended to better align the Company's financial reporting period with its business partners and production schedules. This change did not have a material impact on the Company's financial statements. Certain foreign subsidiaries have closing dates earlier than the Sunday nearest April 30 to facilitate timely reporting. Fiscal years for the financial statements included herein ended April 29, 2012, April 27, 2011, and April 28, 2010.

***Principles of Consolidation:***

The consolidated financial statements include the accounts of the Company, all wholly-owned and majority-owned subsidiaries, and any variable interest entities for which we are the primary beneficiary. All intercompany accounts and transactions are eliminated. Certain prior year amounts have been reclassified to conform with the Fiscal 2012 presentation.

***Use of Estimates:***

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

***Translation of Foreign Currencies:***

For all significant foreign operations, the functional currency is the local currency. Assets and liabilities of these operations are translated at the exchange rate in effect at each year end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included as a component of other comprehensive income/(loss) within shareholders' equity. Gains and losses from foreign currency transactions are included in net income for the period.

***Highly Inflationary Accounting:***

The Company applies highly inflationary accounting if the cumulative inflation rate in an economy for a three-year period meets or exceeds 100 percent. Under highly inflationary accounting, the financial statements of a subsidiary are remeasured into the Company's reporting currency (U.S. dollars) and exchange gains and losses from the remeasurement of monetary assets and liabilities are reflected in current earnings, rather than accumulated other comprehensive loss on the balance sheet, until such time as the economy is no longer considered highly inflationary. See Note 20 for additional information.

***Cash Equivalents:***

Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less.

***Inventories:***

Inventories are stated at the lower of cost or market. Cost is determined principally under the average cost method.

***Property, Plant and Equipment:***

Land, buildings and equipment are recorded at cost. For financial reporting purposes, depreciation is provided on the straight-line method over the estimated useful lives of the assets, which generally have the following ranges: buildings—40 years or less, machinery and equipment—15 years or less, computer software—3 to 7 years, and leasehold improvements—over the life of the lease, not to exceed 15 years. Accelerated depreciation methods are generally used for income tax purposes. Expenditures for new facilities and improvements that substantially extend the capacity or useful life of an asset are capitalized. Ordinary repairs and maintenance are expensed as incurred. When property is retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts and any related gains or losses are included in income. The Company reviews property, plant and



**Notes to Consolidated Financial Statements — (Continued)**

equipment, whenever circumstances change such that the recorded value of an asset may not be recoverable. Factors that may affect recoverability include changes in planned use of the asset and the closing of facilities. The Company's impairment review is based on an undiscounted cash flow analysis at the lowest level for which identifiable cash flows exist and are largely independent. When the carrying value of the asset exceeds the future undiscounted cash flows, an impairment is indicated and the asset is written down to its fair value.

***Goodwill and Intangibles:***

Intangible assets with finite useful lives are amortized on a straight-line basis over the estimated periods benefited, and are reviewed when appropriate for possible impairment, similar to property, plant and equipment. Goodwill and intangible assets with indefinite useful lives are not amortized. The carrying values of goodwill and other intangible assets with indefinite useful lives are tested at least annually for impairment, or when circumstances indicate that a possible impairment may exist. The annual impairment tests are performed during the fourth quarter of each fiscal year. All goodwill is assigned to reporting units, which are primarily one level below our operating segments. The Company performs its impairment tests of goodwill at the reporting unit level. The Company tests goodwill for impairment by either performing a qualitative evaluation or a two-step quantitative test. The qualitative evaluation is an assessment of factors to determine whether it is more likely than not that the fair values of a reporting unit is less than its carrying amount, including goodwill. Factors considered as part of the qualitative assessment include entity-specific industry, market and general economic conditions. The Company may elect to bypass this qualitative assessment for some or all of its reporting units and perform a two-step quantitative test. This quantitative test involves estimating a reporting units fair value. The Company's estimates of fair value when testing for impairment of both goodwill and intangible assets with indefinite lives is based on a discounted cash flow model, using a market participant approach, that requires significant judgment and requires assumptions about future volume trends, revenue and expense growth rates, terminal growth rates, discount rates, tax rates, working capital changes and macroeconomic factors.

***Revenue Recognition:***

The Company recognizes revenue when title, ownership and risk of loss pass to the customer. This primarily occurs upon delivery of the product to the customer. For the most part, customers do not have the right to return products unless damaged or defective. Revenue is recorded, net of sales incentives, and includes shipping and handling charges billed to customers. Shipping and handling costs are primarily classified as part of selling, general and administrative expenses.

***Marketing Costs:***

The Company promotes its products with advertising, consumer incentives and trade promotions. Such programs include, but are not limited to, discounts, coupons, rebates, in-store display incentives and volume-based incentives. Advertising costs are expensed as incurred. Consumer incentive and trade promotion activities are recorded as a reduction of revenue or as a component of cost of products sold based on amounts estimated as being due to customers and consumers at the end of a period, based principally on historical utilization and redemption rates. Advertising costs are recognized as an expense within selling, general and administrative expenses if the Company determines that it will receive an identifiable, separable benefit in return for the consideration paid and it can reasonably estimate the fair value of the benefit identified. Accruals for trade promotions are initially recorded at the time of sale of product to the customer based on an estimate of the expected levels of performance of the trade promotion, which is dependent upon factors such as historical trends with similar promotions, expectations regarding customer participation, and sales and payment trends with similar previously offered programs. The Company performs monthly evaluations of its outstanding trade promotions, making adjustments where appropriate to reflect changes in estimates. Settlement of these liabilities typically occurs in subsequent periods primarily through an authorization process for deductions taken by a customer from amounts otherwise due to the Company. Coupon redemption costs are accrued in the period in which the coupons are offered. The initial estimates made for each coupon offering are based upon historical redemption experience rates for similar products or coupon amounts. The Company performs monthly evaluations of outstanding coupon accruals that compare actual redemption rates to the original estimates. For interim reporting purposes, advertising, consumer incentive and product placement expenses are charged to operations as a percentage of volume, based on estimated volume and related expense for the full year.

***Income Taxes:***

Deferred income taxes result primarily from temporary differences between financial and tax reporting. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized. When assessing the need for valuation allowances, the Company considers future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the realizability of deferred tax assets in future years, the Company would adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income.

**Notes to Consolidated Financial Statements — (Continued)**

The Company has not provided for possible U.S. taxes on the undistributed earnings of foreign subsidiaries that are considered to be reinvested indefinitely. Calculation of the unrecognized deferred tax liability for temporary differences related to these earnings is not practicable.

***Stock-Based Employee Compensation Plans:***

The Company recognizes the cost of all stock-based awards to employees, including grants of employee stock options, on a straight-line basis over their respective requisite service periods (generally equal to an award's vesting period). A stock-based award is considered vested for expense attribution purposes when the employee's retention of the award is no longer contingent on providing subsequent service. Accordingly, the Company recognizes compensation cost immediately for awards granted to retirement-eligible individuals or over the period from the grant date to the date retirement eligibility is achieved, if less than the stated vesting period. The vesting approach used does not affect the overall amount of compensation expense recognized, but could accelerate the recognition of expense. The Company follows its previous vesting approach for the remaining portion of those outstanding awards that were unvested and granted prior to May 4, 2006, and accordingly, will recognize expense from the grant date to the earlier of the actual date of retirement or the vesting date. Judgment is required in estimating the amount of stock-based awards expected to be forfeited prior to vesting. If actual forfeitures differ significantly from these estimates, stock-based compensation expense could be materially impacted.

Compensation cost related to all stock-based awards is determined using the grant date fair value. Determining the fair value of employee stock options at the grant date requires judgment in estimating the expected term that the stock options will be outstanding prior to exercise as well as the volatility and dividends over the expected term. Compensation cost for restricted stock units is determined based on the fair value of the Company's stock at the grant date. The Company applies the modified-prospective transition method for stock options granted on or prior to, but not vested as of, May 3, 2006. Compensation cost related to these stock options is determined using the grant date fair value originally estimated and disclosed in a pro-forma manner in prior period financial statements in accordance with the original provisions of the Financial Accounting Standards Board's ("FASB's") guidance for stock compensation.

Stock-based compensation expense is primarily recognized as a component of selling, general and administrative expenses in the Consolidated Statements of Income.

***Financial Instruments:***

The Company's financial instruments consist primarily of cash and cash equivalents, receivables, accounts payable, short-term and long-term debt, swaps, forward contracts, and option contracts. The carrying values for the Company's financial instruments approximate fair value, except as disclosed in Note 11. As a policy, the Company does not engage in speculative or leveraged transactions, nor does the Company hold or issue financial instruments for trading purposes.

The Company uses derivative financial instruments for the purpose of hedging foreign currency, debt and interest rate exposures, which exist as part of ongoing business operations. The Company carries derivative instruments on the balance sheet at fair value, determined using observable market data. Derivatives with scheduled maturities of less than one year are included in other receivables or other payables, based on the instrument's fair value. Derivatives with scheduled maturities beyond one year are classified between current and long-term based on the timing of anticipated future cash flows. The current portion of these instruments is included in other receivables or other payables and the long-term portion is presented as a component of other non-current assets or other non-current liabilities, based on the instrument's fair value.

The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, the reason for holding it. Gains and losses on fair value hedges are recognized in current period earnings in the same line item as the underlying hedged item. The effective portion of gains and losses on cash flow hedges are deferred as a component of accumulated other comprehensive loss and are recognized in earnings at the time the hedged item affects earnings, in the same line item as the underlying hedged item. Hedge ineffectiveness related to cash flow hedges is reported in current period earnings within other income and expense. The income statement classification of gains and losses related to derivative contracts that do not qualify for hedge accounting is determined based on the underlying intent of the contracts. Cash flows related to the settlement of derivative instruments designated as net investment hedges of foreign operations are classified in the consolidated statements of cash flows within investing activities. Cash flows related to the termination of derivative instruments designated as fair value hedges of fixed rate debt obligations are classified in the consolidated statements of cash flows within financing activities. All other cash flows related to derivative instruments are generally classified in the consolidated statements of cash flows within operating activities.

## Notes to Consolidated Financial Statements — (Continued)

**2. Recently Issued Accounting Standards**

In December 2011, the FASB issued an amendment on disclosures about offsetting assets and liabilities. The new disclosure requirements mandate that entities disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position as well as instruments and transactions subject to an agreement similar to a master netting arrangement. The Company is required to adopt this amendment on the first day of Fiscal 2014 and will provide the disclosures required by this amendment retrospectively for all comparative periods presented. This adoption will only impact the notes to the financial statements and not the financial results.

In September 2011, the FASB issued an amendment to the disclosure requirements for multiemployer pension plans. This amendment requires an employer who participates in multiemployer pension plans to provide additional quantitative and qualitative disclosures to help financial statement users better understand the plans in which an employer participates, the level of the employer's participation in the plans, and the financial health of significant plans. The disclosures also will enable users of financial information to obtain additional information outside of the financial statements. The amendment does not change the current recognition and measurement guidance for an employer's participation in a multiemployer plan. The Company adopted this amendment in the fourth quarter of Fiscal 2012 and applied the provisions of this amendment retrospectively. The adoption of this amendment did not impact the notes to the consolidated financial statements or the financial results.

In September 2011, the FASB issued an amendment to the goodwill impairment standard. This amendment is intended to reduce the cost and complexity of the annual impairment test by providing entities with the option of performing a qualitative assessment to determine whether further impairment testing is necessary. An entity can choose to perform the qualitative assessment on none, some, or all of its reporting units. Moreover, an entity can bypass the qualitative assessment for any reporting unit in any period and proceed directly to step one of the impairment test, and then perform a qualitative assessment in any subsequent period. The Company early adopted this amendment for the Fiscal 2012 annual impairment tests which were performed during the fourth quarter of Fiscal 2012. This amendment does not impact our results of operations or financial position.

In June 2011, the FASB issued an amendment on the presentation of comprehensive income. This amendment is intended to improve comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. This amendment eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Under this amendment, an entity can elect to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. The statement(s) would need to be presented with equal prominence as the other primary financial statements. While the options for presenting other comprehensive income change under this amendment, many items will not change. Those items remaining the same include the items that constitute net income and other comprehensive income; when an item of other comprehensive income must be reclassified to net income; and the earnings-per-share computation. The Company is required to adopt this amendment retrospectively on the first day of Fiscal 2013. This adoption will only impact the presentation of the Company's financial statements, not the financial results.

In May 2011, the FASB issued an amendment to revise the wording used to describe the requirements for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the FASB does not intend for the amendments to result in a change in the application of the current requirements. Some of the amendments clarify the FASB's intent about the application of existing fair value measurement requirements, such as specifying that the concepts of highest and best use and valuation premise in a fair value measurement are relevant only when measuring the fair value of nonfinancial assets. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements such as specifying that, in the absence of a Level 1 input (refer to Note 11 for additional information), a reporting entity should apply premiums or discounts when market participants would do so when pricing the asset or liability. The Company adopted this amendment on the first day of the fourth quarter of Fiscal 2012 and this adoption did not have an impact on the Company's financial statements.

In December 2010, the FASB issued an amendment to the disclosure requirements for Business Combinations. This amendment clarifies that if a public entity is required to disclose pro forma information for business combinations, the entity should disclose such pro forma information as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This amendment also expands the supplemental pro forma disclosures for business combinations to include a description of the nature and amount of material nonrecurring pro forma adjustments directly attributable to the business combination included in reported pro forma revenue and earnings. The Company adopted this amendment on the first day of Fiscal 2012 and will apply such amendment for any business combinations that are material on an individual or aggregate basis if and when they occur.

**Notes to Consolidated Financial Statements — (Continued)**

In December 2010, the FASB issued an amendment to the accounting requirements for Goodwill and Other Intangibles. This amendment modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that impairment may exist. The Company adopted this amendment on the first day of Fiscal 2012. This adoption did not have an impact on the Company's financial statements.

In June 2009, the FASB issued an amendment to the accounting and disclosure requirements for transfers of financial assets. This amendment removes the concept of a qualifying special-purpose entity and requires that a transferor recognize and initially measure at fair value all assets obtained and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. This amendment also requires additional disclosures about any transfers of financial assets and a transferor's continuing involvement with transferred financial assets. The Company adopted this amendment on the first day of Fiscal 2011. This adoption did not have a material impact on the Company's financial statements. Refer to Note 8 for additional information.

In June 2009, the FASB issued an amendment to the accounting and disclosure requirements for variable interest entities. This amendment changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the purpose and design of the other entity and the reporting entity's ability to direct the activities of the other entity that most significantly impact its economic performance. The amendment also requires additional disclosures about a reporting entity's involvement with variable interest entities and any significant changes in risk exposure due to that involvement. A reporting entity is required to disclose how its involvement with a variable interest entity affects the reporting entity's financial statements. The Company adopted this amendment on the first day of Fiscal 2011. This adoption did not have a material impact on the Company's financial statements.

**3. Productivity Initiatives**

The Company announced on May 26, 2011 that it would invest in productivity initiatives during Fiscal 2012 designed to increase manufacturing effectiveness and efficiency as well as accelerate overall productivity on a global scale. The Company originally anticipated investing at least \$130 million of cash and \$160 million of pre-tax income (\$0.35 per share) on these initiatives during Fiscal 2012. These initiatives included:

- The establishment of a European supply chain hub in the Netherlands in order to consolidate and centralize procurement, manufacturing, logistics and inventory control decisions,
- The exit of at least five factories, including two in Europe, two in the U.S., and one in Asia/Pacific in order to enhance manufacturing effectiveness and efficiency, and
- A reduction of the global workforce by approximately 800 to 1,000 positions.

The Company continued to look for opportunities to drive shareholder value in this difficult economic environment, and in Fiscal 2012, the Company's Board of Directors gave its approval for the Company to invest an incremental \$40 million cash and \$75 million of pre-tax income (\$0.21 per share) on additional productivity initiatives. These projects included the closure of another three factories worldwide and further reduction of the global workforce by more than 1,000 employees.

The Company recorded costs related to these productivity initiatives of \$224.3 million pre-tax (\$162.9 million after-tax or \$0.50 per share) during Fiscal 2012, all of which were reported in the Non-Operating segment as disclosed in Note 16. These pre-tax costs were comprised of the following:

- \$58.7 million relating to asset write-downs and accelerated depreciation for the closure of eight factories, including two in Europe, three in the U.S. and three in Asia/Pacific,
- \$89.8 million for severance and employee benefit costs relating to the reduction of the global workforce by approximately 2,900 positions, and
- \$75.8 million associated with other implementation costs, primarily for professional fees, contract termination and relocation costs for the establishment of the European supply chain hub and to improve global manufacturing efficiencies.

Of the \$224.3 million total pre-tax charges in Fiscal 2012, \$139.8 million was recorded in cost of products sold and \$84.5 million in selling, general and administrative expenses ("SG&A").

The Company does not include productivity charges in the results of its reportable segments. The pre-tax impact of allocating such charges to segment results would have been as follows:

	<i>Fiscal 2012</i>
	<i>(In millions)</i>
North American Consumer Products	\$ 25.6
Europe	56.4
Asia/Pacific	84.5
U.S. Foodservice	52.8
Rest of World	4.4
Non-Operating	0.7
Total productivity charges	<u>\$ 224.3</u>

*(Totals may not add due to rounding)*

Activity in other accrued liability balances for productivity charges were as follows:

	<i>(In millions)</i>
Fiscal 2012 productivity charges	\$ 165.6
Cash payments	(111.0)
Reserve balance at April 29, 2012	<u>\$ 54.6</u>

*(Totals may not add due to rounding)*

The majority of the amount included in other accrued liabilities at April 29, 2012 related to these initiatives is expected to be paid in the first quarter of Fiscal 2013.

#### 4. Discontinued Operations and Other Disposals

During the third quarter of Fiscal 2010, the Company completed the sale of its Appetizers And, Inc. frozen hors d'oeuvres business which was previously reported within the U.S. Foodservice segment, resulting in a \$14.5 million pre-tax (\$10.4 million after-tax) loss. Also during the third quarter of Fiscal 2010, the Company completed the sale of its private label frozen desserts business in the U.K., resulting in a \$31.4 million pre-tax (\$23.6 million after-tax) loss. During the second quarter of Fiscal 2010, the Company completed the sale of its Kabobs frozen hors d'oeuvres business which was previously reported within the U.S. Foodservice segment, resulting in a \$15.0 million pre-tax (\$10.9 million after-tax) loss. The losses on each of these transactions have been recorded in discontinued operations.

In accordance with accounting principles generally accepted in the United States of America, the operating results related to these businesses have been included in discontinued operations in the Company's consolidated statements of income for Fiscal 2010. The following table presents summarized operating results for these discontinued operations:

	<i>Fiscal Year Ended</i>
	<i>April 28, 2010</i>
	<i>FY 2010</i>
	<i>(In millions)</i>
Sales	\$ 63.0
Net after-tax losses	\$ (4.7)
Tax benefit on losses	\$ 2.0

During the first quarter of Fiscal 2013, the Company's Board of Directors approved the sale of its U.S. Foodservice frozen desserts business. This business had annual sales of approximately \$75 million in Fiscal 2012. The disposal transaction included the sale of two factories. As a result of this transaction, the Company will recognize a pre-tax loss of approximately \$33 million (\$21 million after-tax), which will be recorded in discontinued operations in the first quarter of Fiscal 2013. The sale will not significantly affect the Company's profit on a continuing operations basis going forward.

During the fourth quarter of Fiscal 2010, the Company received cash proceeds of \$94.6 million from the government of the Netherlands for property the government acquired through eminent domain proceedings. The transaction includes the purchase by the government of the Company's factory located in Nijmegen, which produces soups, pasta and cereals. The cash proceeds

## Notes to Consolidated Financial Statements — (Continued)

are intended to compensate the Company for costs, both capital and expense, which are being incurred over a three year period from the date of the transaction, which is the length of time the Company has to exit the current factory location and construct certain new facilities. Note, the Company has and will incur costs to build an R&D facility in the Netherlands, costs to transfer a cereal line to another factory location, employee costs for severance and other costs directly related to the closure and relocation of the existing facilities. The Company also entered into a three-year leaseback on the Nijmegen factory. The Company will continue to operate in the leased factory while executing its plans for closure and relocation of the operations. The Company has accounted for the proceeds on a cost recovery basis. In doing so, the Company has made its estimates of cost, both of a capital and expense nature, to be incurred and recovered and to which proceeds from the transaction will be applied. Of the initial proceeds received, \$81.2 million was deferred based on management's total estimated future costs to be recovered and incurred and these deferred amounts are recognized as the related costs are incurred. If estimated costs differ from what is actually incurred, these adjustments will be reflected in earnings. As of April 29, 2012 and April 27, 2011, the remaining deferred amounts on the consolidated balance sheets were \$20.7 million and \$63.2 million, respectively, and were recorded in other non-current liabilities and other accrued liabilities. No significant adjustments were reflected in earnings in Fiscal 2012 and 2011. The excess of the \$94.6 million of proceeds received over estimated costs to be recovered and incurred was \$15.0 million and was recorded as a reduction of cost of products sold in the consolidated statement of income for the year ended April 28, 2010.

## 5. Acquisitions

On April 1, 2011, the Company acquired an 80% stake in Coniexpress S.A. Industrias Alimenticias ("Coniexpress"), a leading Brazilian manufacturer of the *Quero*<sup>®</sup> brand of tomato-based sauces, tomato paste, ketchup, condiments and vegetables for \$493.5 million in cash, which included \$10.6 million of acquired cash and \$60.1 million of short-term investments. The Company also incurred \$11.3 million of pre-tax costs related to the acquisition, consisting primarily of professional fees, which were recorded in selling, general and administrative expenses in the Fiscal 2011 consolidated statement of income. The Company has the right to exercise a call option at any time requiring the minority partner to sell his 20% equity interest, while the minority partner has the right to exercise a put option requiring the Company to purchase his 20% equity interest (see Note 18 for additional explanation). The Coniexpress acquisition was accounted for as a business combination and, accordingly, the purchase price was allocated to the assets and liabilities based upon their estimated fair values as of the acquisition date. The allocations of the purchase price resulted in goodwill of \$301.6 million, which was assigned to the Rest of World segment and is not deductible for tax purposes. In addition, \$161.9 million of intangible assets were acquired, \$142.0 million of which relate to trademarks which are not subject to amortization. The remaining \$19.9 million represents customer-related assets which are being amortized over 15 years.

On November 2, 2010, the Company acquired Foodstar Holding Pte ("Foodstar"), a manufacturer of soy sauces and fermented bean curd in China for \$165.4 million in cash, which included \$30.0 million of acquired cash, as well as a potential earn-out payment in Fiscal 2014 contingent upon certain net sales and EBITDA (earnings before interest, taxes, depreciation and amortization) targets during Fiscals 2013 and 2014. In accordance with accounting principles generally accepted in the United States of America, a liability of \$44.5 million was recognized for an estimate of the acquisition date fair value of the earn-out and is included in Other non-current liabilities in our consolidated balance sheet as of April 29, 2012 and April 27, 2011. Any change in the fair value of the earn-out subsequent to the acquisition date, including an increase resulting from the passage of time, is and will be recognized in earnings in the period of the estimated fair value change (see Note 11 for further explanation). A change in fair value of the earn-out could have a material impact on the Company's earnings in the period of the change in estimate.

The Foodstar acquisition has been accounted for as a business combination and, accordingly, the purchase price has been allocated to the assets and liabilities based upon their estimated fair values as of the acquisition date. The allocations of the purchase price resulted in goodwill of \$77.3 million, which was assigned to the Asia/Pacific segment and is not deductible for tax purposes. In addition, \$70.7 million of intangible assets were acquired, \$42.4 million of which relate to trademarks and are not subject to amortization. The remaining \$28.3 million are being amortized over a weighted average life of 31 years.

During the third quarter of Fiscal 2010, the Company acquired Arthur's Fresh Company, a chilled smoothies business in Canada for approximately \$11 million in cash as well as an insignificant amount of contingent consideration. This acquisition has been accounted for as a business combination and accordingly, the purchase price has been allocated to assets and liabilities based upon their estimated fair values as of the acquisition date. The Company also made payments during Fiscal 2010 related to acquisitions completed in prior fiscal years, none of which were significant.

Operating results of the above-mentioned businesses acquired have been included in the consolidated statements of income from the respective acquisition dates forward. Pro forma results of the Company, assuming all of the acquisitions had occurred at the beginning of each period presented, would not be materially different from the results reported. There are no significant contingent payments, options or commitments associated with any of the acquisitions, except as disclosed above.

# Notes to Consolidated Financial Statements — (Continued)

During Fiscal 2012, the Company acquired an additional 10% interest in P.T. Heinz ABC Indonesia for \$54.8 million. P.T. Heinz ABC Indonesia is an Indonesian subsidiary of the Company that manufactures Asian sauces and condiments as well as juices and syrups. Prior to the transaction, the Company owned 65% of this business. During Fiscal 2011, the Company acquired the remaining 21% interest in Heinz UFE Ltd., a Chinese subsidiary of the Company that manufactures infant feeding products, for \$6.3 million. Prior to the transaction, the Company was the owner of 79% of the business. During Fiscal 2010, the Company acquired the remaining 49% interest in Cairo Food Industries, S.A.E., an Egyptian subsidiary of the Company that manufactures ketchup, condiments and sauces, for \$62.1 million. Prior to the transaction, the Company was the owner of 51% of the business. These purchases were accounted for primarily as a reduction in additional capital and noncontrolling interest on the consolidated statements of equity.

## 6. Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the fiscal year ended April 29, 2012, by reportable segment, are as follows:

	<i>North American Consumer Products</i>	<i>Europe</i>	<i>Asia/ Pacific</i>	<i>U.S. Foodservice</i>	<i>Rest of World</i>	<i>Total</i>
	<i>(In thousands)</i>					
Balance at April 28, 2010	\$ 1,102,891	\$ 1,106,744	\$ 289,425	\$ 257,674	\$ 14,184	\$ 2,770,918
Acquisitions	—	—	77,345	—	300,227	377,572
Purchase accounting adjustments	—	(278)	(10,688)	—	—	(10,966)
Translation adjustments	8,846	114,774	35,998	—	1,299	160,917
Balance at April 27, 2011	1,111,737	1,221,240	392,080	257,674	315,710	3,298,441
Purchase accounting adjustments	—	(600)	—	—	1,380	780
Disposals	—	(1,532)	—	—	—	(1,532)
Translation adjustments	(4,662)	(73,820)	3,119	—	(36,799)	(112,162)
Balance at April 29, 2012	<u>\$ 1,107,075</u>	<u>\$ 1,145,288</u>	<u>\$ 395,199</u>	<u>\$ 257,674</u>	<u>\$ 280,291</u>	<u>\$ 3,185,527</u>

During the fourth quarter of Fiscal 2012, the Company completed its annual review of goodwill and indefinite-lived intangible assets. No impairments were identified during the Company's annual assessment of goodwill and indefinite-lived intangible assets.

During the second quarter of Fiscal 2012, the Company finalized the purchase price allocation for the Coniexpress acquisition in Brazil resulting primarily in immaterial adjustments between goodwill, income taxes and non-pension postretirement benefits.

During the fourth quarter of Fiscal 2011, the Company finalized the purchase price allocation for the Foodstar acquisition resulting primarily in immaterial adjustments between goodwill, accrued liabilities and income taxes. All of the Fiscal 2011 purchase accounting adjustments reflected in the above table relate to acquisitions completed prior to April 30, 2009, the first day of Fiscal 2010. Total goodwill accumulated impairment losses for the Company since Fiscal 2003 were \$84.7 million consisting of \$54.5 million for Europe, \$2.7 million for Asia/Pacific and \$27.4 million for Rest of World as of April 28, 2010, April 27, 2011 and April 29, 2012.

Trademarks and other intangible assets at April 29, 2012 and April 27, 2011, subject to amortization expense, are as follows:

	<i>April 29, 2012</i>			<i>April 27, 2011</i>		
	<i>Gross</i>	<i>Accum Amort</i>	<i>Net</i>	<i>Gross</i>	<i>Accum Amort</i>	<i>Net</i>
	<i>(In thousands)</i>					
Trademarks	\$ 282,937	\$ (87,925)	\$ 195,012	\$ 297,020	\$ (83,343)	\$ 213,677
Licenses	208,186	(163,945)	44,241	208,186	(158,228)	49,958
Recipes/processes	89,207	(35,811)	53,396	90,553	(31,988)	58,565
Customer-related assets	216,755	(69,244)	147,511	224,173	(57,555)	166,618
Other	48,643	(25,442)	23,201	79,045	(54,833)	24,212
	<u>\$ 845,728</u>	<u>\$ (382,367)</u>	<u>\$ 463,361</u>	<u>\$ 898,977</u>	<u>\$ (385,947)</u>	<u>\$ 513,030</u>

Amortization expense for trademarks and other intangible assets was \$31.8 million, \$29.0 million and \$28.2 million for the fiscal years ended April 29, 2012, April 27, 2011 and April 28, 2010, respectively. The remaining reduction in net trademarks and other intangible assets, subject to amortization expense, since April 27, 2011 is primarily due to translation adjustments. Based upon the amortizable intangible assets recorded on the balance sheet as of April 29, 2012, amortization expense for each of the



## Notes to Consolidated Financial Statements — (Continued)

next five fiscal years is estimated to be approximately \$30 million.

Intangible assets not subject to amortization at April 29, 2012 totaled \$1,035.3 million and consisted of \$895.9 million of trademarks, \$119.3 million of recipes/processes, and \$20.1 million of licenses. Intangible assets not subject to amortization at April 27, 2011 totaled \$1,085.7 million and consisted of \$942.5 million of trademarks, \$122.5 million of recipes/processes, and \$20.7 million of licenses. The reduction in intangible assets, not subject to amortization expense, since April 27, 2011 is primarily due to translation adjustments.

## 7. Income Taxes

The following table summarizes the provision/(benefit) for U.S. federal, state and foreign taxes on income from continuing operations.

	2012	2011	2010
	(In thousands)		
Current:			
U.S. federal	\$ 110,354	\$ 38,686	\$ (24,446)
State	12,048	14,507	(809)
Foreign	215,949	161,303	163,241
	<u>338,351</u>	<u>214,496</u>	<u>137,986</u>
Deferred:			
U.S. federal	(16,262)	123,601	165,141
State	4,186	(4,318)	8,141
Foreign	(82,740)	34,442	47,246
	<u>(94,816)</u>	<u>153,725</u>	<u>220,528</u>
Provision for income taxes	<u>\$ 243,535</u>	<u>\$ 368,221</u>	<u>\$ 358,514</u>

Tax benefits related to stock options and other equity instruments recorded directly to additional capital totaled \$16.8 million in Fiscal 2012, \$21.4 million in Fiscal 2011 and \$9.3 million in Fiscal 2010.

The components of income from continuing operations before income taxes consist of the following:

	2012	2011	2010
	(In thousands)		
Domestic	\$ 312,197	\$ 463,142	\$ 499,059
Foreign	871,246	911,027	791,395
From continuing operations	<u>\$ 1,183,443</u>	<u>\$ 1,374,169</u>	<u>\$ 1,290,454</u>

The differences between the U.S. federal statutory tax rate and the Company's consolidated effective tax rate on continuing operations are as follows:

	2012	2011	2010
U.S. federal statutory tax rate	35.0%	35.0%	35.0%
Tax on income of foreign subsidiaries	(8.7)	(5.6)	(4.3)
Changes in valuation allowances	2.6	(0.2)	0.2
Earnings repatriation	2.1	3.0	1.2
Tax free interest	(5.6)	(4.2)	(4.6)
Effects of revaluation of tax basis of foreign assets	(3.3)	(1.6)	(0.5)
Audit settlements and changes in uncertain tax positions	(2.1)	—	(1.3)
Other	0.6	0.4	2.1
Effective tax rate	<u>20.6%</u>	<u>26.8%</u>	<u>27.8%</u>

The decrease in the effective tax rate is primarily the result of the increased benefits from the revaluation of the tax basis of foreign assets, the reversal of an uncertain tax position liability due to the expiration of the statute of limitations in a foreign tax jurisdiction, the beneficial resolution of a foreign tax case, and lower tax on the income of foreign subsidiaries primarily resulting

## Notes to Consolidated Financial Statements — (Continued)

from a statutory tax rate reduction in the U.K. These benefits were partially offset by the current year expense for changes in valuation allowances. The decrease in the effective tax rate in Fiscal 2011 was primarily the result of increased benefits from foreign tax planning and increased tax exempt foreign income, partially offset by higher taxes on repatriation of earnings. The effective tax rate in Fiscal 2010 was impacted by higher taxes on the income of foreign subsidiaries partially offset by lower earnings repatriation costs.

During the second quarter of Fiscal 2012, a foreign subsidiary of the Company exercised a tax option under local law to revalue certain of its intangible assets, increasing the local tax basis by approximately \$220.2 million. This revaluation resulted in a reduction in Fiscal 2012 tax expense, fully recognized in Fiscal 2012, of \$34.9 million reflecting the deferred tax benefit from the higher tax basis partially offset by the current tax liability arising from this revaluation of \$34.8 million. The subsidiary paid \$10.4 million of the \$34.8 million during Fiscal 2012 and will pay approximately \$13.9 million in Fiscal 2013 with the remainder due during Fiscal 2014. The tax benefit from the higher basis amortization will result in a reduction in cash taxes over the five year amortization period totaling approximately \$69.1 million partially offset by the \$34.8 million aforementioned tax payments.

The following table and note summarize deferred tax (assets) and deferred tax liabilities as of April 29, 2012 and April 27, 2011.

	2012	2011
	<i>(In thousands)</i>	
Depreciation/amortization	\$ 910,987	\$ 916,716
Benefit plans	59,647	93,916
Deferred income	96,472	126,917
Financing costs	117,670	118,118
Other	48,371	48,839
<b>Deferred tax liabilities</b>	<b>1,233,147</b>	<b>1,304,506</b>
Operating loss carryforwards	(141,358)	(120,261)
Benefit plans	(195,697)	(168,001)
Depreciation/amortization	(147,745)	(86,044)
Tax credit carryforwards	(81,703)	(46,452)
Deferred income	(20,286)	(24,235)
Other	(96,502)	(105,327)
<b>Deferred tax assets</b>	<b>(683,291)</b>	<b>(550,320)</b>
Valuation allowance	90,553	64,386
<b>Net deferred tax liabilities</b>	<b>\$ 640,409</b>	<b>\$ 818,572</b>

The Company also has foreign deferred tax assets and valuation allowances of \$127.7 million as of April 29, 2012, each related to statutory increases in the capital tax bases of certain internally generated intangible assets for which the probability of realization is remote.

The Company records valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. When assessing the need for valuation allowances, the Company considers future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the realizability of deferred tax assets in future years, the Company would adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income.

The resolution of tax reserves and changes in valuation allowances could be material to the Company's results of operations for any period, but is not expected to be material to the Company's financial position.

At the end of Fiscal 2012, foreign operating loss carryforwards totaled \$493.4 million. Of that amount, \$252.7 million expire between 2013 and 2028; the other \$240.7 million do not expire. Deferred tax assets of \$49.1 million have been recorded for foreign tax credit carryforwards. These credit carryforwards expire between 2020 and 2022. Deferred tax assets of \$11.9 million have been recorded for state operating loss carryforwards. These losses expire between 2013 and 2032. Additionally, the Company has incurred losses in a foreign jurisdiction where realization of the future economic benefit is so remote that the benefit is not reflected as a deferred tax asset.

The net change in the Fiscal 2012 valuation allowance shown above is an increase of \$26.2 million. The increase was primarily due to the recording of additional valuation allowance for foreign loss carryforwards that are not expected to be utilized.

## Notes to Consolidated Financial Statements — (Continued)

The net change in the Fiscal 2011 valuation allowance was an increase of \$1.9 million. The increase was primarily due to the recording of additional valuation allowance for foreign loss carryforwards that are not expected to be utilized, partially offset by the release of valuation allowance related to state tax loss and credit carryforwards that are now expected to be utilized. The net change in the Fiscal 2010 valuation allowance was an increase of \$3.4 million. The increase was primarily due to the recording of additional valuation allowance for foreign loss carryforwards that are not expected to be utilized prior to their expiration date, partially offset by a reduction in unrealizable net state deferred tax assets.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

	2012	2011	2010
	(In millions)		
Balance at the beginning of the fiscal year	\$ 70.7	\$ 57.1	\$ 86.6
Increases for tax positions of prior years	5.2	13.5	3.7
Decreases for tax positions of prior years	(18.0)	(26.0)	(35.4)
Increases based on tax positions related to the current year	3.7	10.8	10.4
Increases due to business combinations	—	26.9	—
Decreases due to settlements with taxing authorities	(2.2)	(5.4)	(0.8)
Decreases due to lapse of statute of limitations	(6.7)	(6.2)	(7.4)
Balance at the end of the fiscal year	<u>\$ 52.7</u>	<u>\$ 70.7</u>	<u>\$ 57.1</u>

The amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate was \$38.9 million and \$56.5 million, on April 29, 2012 and April 27, 2011, respectively.

The Company classifies interest and penalties on tax uncertainties as a component of the provision for income taxes. For Fiscal 2012, the total amount of net interest and penalty expense included in the provision for income taxes was a benefit of \$9.5 million and \$4.7 million, respectively. For Fiscal 2011, the total amount of net interest and penalty expense included in the provision for income taxes was a benefit of \$1.3 million and \$0.1 million, respectively. For Fiscal 2010, the total amount of net interest and penalty expense included in the provision for income taxes was a benefit of \$5.2 million and \$1.0 million, respectively. The total amount of interest and penalties accrued as of April 29, 2012 was \$16.0 million and \$13.8 million, respectively. The corresponding amounts of accrued interest and penalties at April 27, 2011 were \$27.3 million and \$21.1 million, respectively.

It is reasonably possible that the amount of unrecognized tax benefits will decrease by as much as \$26.2 million in the next 12 months primarily due to the expiration of statutes in various foreign jurisdictions along with the progression of state and foreign audits in process.

The provision for income taxes consists of provisions for federal, state and foreign income taxes. The Company operates in an international environment with significant operations in various locations outside the U.S. Accordingly, the consolidated income tax rate is a composite rate reflecting the earnings in various locations and the applicable tax rates. In the normal course of business the Company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as Australia, Canada, Italy, the United Kingdom and the United States. The Company has substantially concluded all national income tax matters for years through Fiscal 2009 for the U.S. and United Kingdom, and through Fiscal 2007 for Australia, Canada, and Italy.

Undistributed earnings of foreign subsidiaries considered to be indefinitely reinvested or which may be remitted tax free in certain situations, amounted to \$5.1 billion at April 29, 2012. The Company has not determined the deferred tax liability associated with these undistributed earnings, as such determination is not practicable.

## Notes to Consolidated Financial Statements — (Continued)

**8. Debt and Financing Arrangements**

Short-term debt consisted of bank debt and other borrowings of \$46.5 million and \$87.8 million as of April 29, 2012 and April 27, 2011, respectively. The weighted average interest rate was 5.1% and 3.4% for Fiscal 2012 and Fiscal 2011, respectively.

Long-term debt was comprised of the following as of April 29, 2012 and April 27, 2011:

	2012	2011
	<i>(In thousands)</i>	
Commercial Paper (variable rate)	\$ —	\$ —
6.625% U.S. Dollar Notes due July 2011	—	749,982
6.00% U.S. Dollar Notes due March 2012	—	599,631
Other U.S. Dollar Debt due May 2012 — November 2034 (1.08%—7.89%)	43,164	112,829
Other Non-U.S. Dollar Debt due May 2012 — May 2023 (3.50%—11.25%)	64,060	67,964
Japanese Yen Credit Agreement due October 2012 (variable rate)	186,869	182,571
5.35% U.S. Dollar Notes due July 2013	499,958	499,923
8.0% Heinz Finance Preferred Stock due July 2013	350,000	350,000
Japanese Yen Credit Agreement due December 2013 (variable rate)	199,327	194,742
U.S. Dollar Private Placement Notes due May 2014 — May 2021 (2.11% - 4.23%)	500,000	—
U.S. Dollar Private Placement Notes due July 2016 — July 2018 (2.86% - 3.55%)	100,000	—
2.00% U.S. Dollar Notes due September 2016	299,913	—
1.50% U.S. Dollar Notes due March 2017	299,556	—
U.S. Dollar Remarketable Securities due December 2020	119,000	119,000
3.125% U.S. Dollar Notes due September 2021	395,268	—
2.85% U.S. Dollar Notes due March 2022	299,516	—
6.375% U.S. Dollar Debentures due July 2028	231,137	230,878
6.25% British Pound Notes due February 2030	202,158	206,590
6.75% U.S. Dollar Notes due March 2032	435,112	435,038
7.125% U.S. Dollar Notes due August 2039	626,747	625,569
	<u>4,851,785</u>	<u>4,374,717</u>
Hedge Accounting Adjustments (See Note 13)	128,444	150,543
Less portion due within one year	(200,248)	(1,447,132)
Total long-term debt	<u>\$ 4,779,981</u>	<u>\$ 3,078,128</u>
Weighted-average interest rate on long-term debt, including the impact of applicable interest rate swaps	<u>4.28%</u>	<u>4.23%</u>

During the first quarter of Fiscal 2012, the Company modified its \$1.2 billion credit agreement to increase the available borrowings under the facility to \$1.5 billion as well as to extend its maturity date from April 2012 to June 2016. The \$1.5 billion credit agreement supports the Company's commercial paper borrowings. As a result, the commercial paper borrowings, if any, are classified as long-term debt based upon the Company's intent and ability to refinance these borrowings on a long-term basis. There were no commercial paper borrowings outstanding at April 29, 2012. In addition, the Company has \$500 million of foreign lines of credit available at April 29, 2012. In anticipation of these Fiscal 2012 modifications above, the Company terminated a \$500 million credit agreement during April 2011.

During the fourth quarter of Fiscal 2012, the Company issued \$300 million 1.50% Notes due 2017 and \$300 million 2.85% Notes due 2022. During the second quarter of Fiscal 2012, the Company issued \$300 million 2.00% Notes due 2016 and \$400 million 3.125% Notes due 2021. During the first quarter of Fiscal 2012, the Company issued \$500 million of private placement notes at an average interest rate of 3.48% with maturities of three, five, seven and ten years. Additionally, during the first quarter of Fiscal 2012, the Company issued \$100 million of private placement notes at an average interest rate of 3.38% with maturities of five and seven years. The current year proceeds were used for the repayment of commercial paper and to pay off the Company's \$750 million of notes which matured on July 15, 2011 and \$600 million notes which matured on March 15, 2012.

**Notes to Consolidated Financial Statements — (Continued)**

During the third quarter of Fiscal 2011, the Company entered into a variable rate, three-year 16 billion Japanese yen denominated credit agreement. The proceeds were used in the funding of the Foodstar acquisition and for general corporate purposes and were swapped to \$193.2 million and the interest rate was fixed at 2.66%. See Note 13 for additional information.

Certain of the Company's debt agreements contain customary covenants, including a leverage ratio covenant. The Company was in compliance with all of its covenants as of April 29, 2012 and April 27, 2011.

During the second quarter Fiscal 2010, H.J. Heinz Finance Company ("HFC"), a subsidiary of Heinz, issued \$681 million of 7.125% notes due 2039 and paid \$217.5 million of cash, in exchange for \$681 million of its outstanding 15.59% dealer remarketable securities due December 1, 2020. In addition, HFC terminated a portion of the remarketing option by paying the remarketing agent a cash payment of \$89.0 million. The exchange transaction was accounted for as a modification of debt. Accordingly, cash payments used in the exchange, including the payment to the remarketing agent, were accounted for as a reduction in the book value of the debt, and are being amortized to interest expense under the effective yield method. Additionally, the Company terminated its \$175 million notional total rate of return swap in the second quarter of Fiscal 2010 in connection with the dealer remarketable securities exchange transaction. See Note 13 for additional information.

During the third quarter of Fiscal 2012, the Company remarketed the remaining \$119 million remarketable securities at a rate of 6.049%. The next remarketing is scheduled for December 1, 2014. On the same date, the Company entered into a total rate of return swap with a notional amount of \$119 million as an economic hedge to reduce the interest cost related to these remarketable securities. See Note 13 for further details. If these securities are not remarketed, then the Company is required to repurchase all of the remaining securities at 100% of the principal amount plus accrued interest. If the Company purchases or otherwise acquires these securities from the holders, the Company is required to pay to the holder of the remaining remarketing option the option settlement amount. This value fluctuates based on market conditions.

HFC's 3,500 mandatorily redeemable preferred shares are classified as long-term debt. Each share of preferred stock is entitled to annual cash dividends at a rate of 8% or \$8,000 per share. On July 15, 2013, each share will be redeemed for \$100,000 in cash for a total redemption price of \$350 million.

Annual maturities of long-term debt during the next five fiscal years are \$200.2 million in 2013, \$1,093.9 million in 2014, \$60.3 million in 2015, \$5.3 million in 2016 and \$734.1 million in 2017.

In Fiscal 2010, the Company entered into a three-year \$175 million accounts receivable securitization program. Under the terms of the agreement, the Company sells, on a revolving basis, U.S. trade receivables to a wholly-owned, bankruptcy-remote subsidiary. This subsidiary then sells all of the rights, title and interest in these receivables, all of which are short-term, to an unaffiliated entity. On April 29, 2010, the Company adopted new accounting guidance related to the transfer of financial assets. The securitization agreement continues to qualify for sale accounting treatment under the new guidance. After the sale, the Company, as servicer of the assets, collects the receivables on behalf of the unaffiliated entity. On the statements of cash flows, all cash flows related to this securitization program are included as a component of operating activities because the cash received from the unaffiliated entity and the cash collected from servicing the transferred assets are not subject to significantly different risks due to the short-term nature of the Company's trade receivables.

For the sale of receivables under the program, the Company receives cash consideration of up to \$175 million and a receivable for the remainder of the purchase price (the "Deferred Purchase Price"). The cash consideration and the carrying amount of receivables removed from the consolidated balance sheets were \$161.8 million and \$29.0 million as of April 29, 2012 and April 27, 2011, respectively, resulting in an increase of \$132.8 million in cash for sales under this program for Fiscal 2012 and a decrease in cash of \$55.2 million for Fiscal 2011. The fair value of the Deferred Purchase Price was \$56.8 million and \$173.9 million as of April 29, 2012 and April 27, 2011, respectively. The increase in cash proceeds related to the Deferred Purchase Price was \$117.1 million for fiscal year ended April 29, 2012 and was a decrease in cash of \$84.7 million for the fiscal year ended April 27, 2011. This Deferred Purchase Price is included as a trade receivable on the consolidated balance sheets and has a carrying value which approximates fair value as of April 29, 2012 and April 27, 2011, due to the nature of the short-term underlying financial assets. On June 8, 2012, subsequent to the Fiscal 2012 year end, the Company entered into an amendment of the \$175 million accounts receivables securitization program that extended the term until June 7, 2013.

## Notes to Consolidated Financial Statements — (Continued)

## 9. Supplemental Cash Flows Information

	2012	2011	2010
	<i>(In thousands)</i>		
Cash Paid During the Year For:			
Interest	\$ 277,954	\$ 268,131	\$ 305,332
Income taxes	\$ 265,547	\$ 154,527	\$ 138,953
Details of Acquisitions:			
Fair value of assets	\$ —	\$ 1,057,870	\$ 16,072
Liabilities <sup>(1)</sup>	(3,250)	274,294	4,644
Redeemable noncontrolling interest <sup>(2)</sup>	—	124,669	—
Cash paid	3,250	658,907	11,428
Less cash acquired	—	40,605	—
Net cash paid for acquisitions	\$ 3,250	\$ 618,302	\$ 11,428

(1) Includes contingent obligations to sellers of \$44.5 million in 2011.

(2) See Note 18 for additional information.

During Fiscal 2010, HFC issued \$681 million of 30 year notes and paid \$217.5 million of cash in exchange for \$681 million of its outstanding dealer remarketable securities. The \$681 million of notes exchanged was a non-cash transaction and has been excluded from the consolidated statement of cash flows for the year ended April 28, 2010. See Note 8 for additional information.

The Company recognized \$41.8 million of property, plant and equipment and debt in Fiscal 2010 related to contractual arrangements that contain a lease. These non-cash transactions have been excluded from the consolidated statement of cash flows for the year ended April 28, 2010.

In addition, the Company acted as servicer for approximately \$205.6 million and \$145.7 million of trade receivables which were sold to unrelated third parties without recourse as of April 29, 2012 and April 27, 2011, respectively. These trade receivables are short-term in nature. The proceeds from these sales are also recognized on the statements of cash flows as a component of operating activities.

The Company has not recorded any servicing assets or liabilities as of April 29, 2012 or April 27, 2011 for the arrangements discussed above because the fair value of these servicing agreements as well as the fees earned were not material to the financial statements.

## 10. Employees' Stock Incentive Plans and Management Incentive Plans

As of April 29, 2012, the Company had outstanding stock option awards, restricted stock units and restricted stock awards issued pursuant to various shareholder-approved plans and a shareholder-authorized employee stock purchase plan. The compensation cost related to these plans primarily recognized in SG&A and the related tax benefit are as follows:

	<i>Fiscal Year Ended</i>		
	<i>April 29, 2012</i>	<i>April 27, 2011</i>	<i>April 28, 2010</i>
	<i>(In millions)</i>		
Pre-tax compensation cost	\$ 36.5	\$ 32.7	\$ 33.4
Tax benefit	12.0	10.4	10.3
After-tax compensation cost	\$ 24.5	\$ 22.3	\$ 23.1

During Fiscal 2012, the Company's plan from which it issued equity-based awards was the Fiscal Year 2003 Stock Incentive Plan (the "2003 Plan"), which was approved by shareholders on September 12, 2002 for a ten-year period. During Fiscals 2011 and 2010, the Company issued equity-based awards from the 2003 Plan and the 2000 Stock Option Plan (the "2000 Plan"). The 2000 Plan was approved by Shareholders on September 12, 2000 and expired on September 12, 2010. Pursuant to the 2003 Plan, the Management Development & Compensation Committee is authorized to grant a maximum of 9.4 million shares for issuance as restricted stock units or restricted stock. Any available shares may be issued as stock options. The maximum number of shares

Notes to Consolidated Financial Statements — (Continued)

that may be granted under this plan is 18.9 million shares. Shares issued under these plans are sourced from available treasury shares.

**Stock Options:**

Stock options generally vest over a period of four years after the date of grant. Awards granted prior to Fiscal 2006 generally had a maximum term of ten years. Beginning in Fiscal 2006, awards have a maximum term of seven years.

In accordance with their respective plans, stock option awards are forfeited if a holder voluntarily terminates employment prior to the vesting date. The Company estimates forfeitures based on an analysis of historical trends updated as discrete new information becomes available and will be re-evaluated on an annual basis. Compensation cost in any period is at least equal to the grant-date fair value of the vested portion of an award on that date.

The Company presents all benefits of tax deductions resulting from the exercise of stock-based compensation as operating cash flows in the consolidated statements of cash flows, except the benefit of tax deductions in excess of the compensation cost recognized for those options (“excess tax benefits”) which are classified as financing cash flows. For the fiscal year ended April 29, 2012, \$7.5 million of cash tax benefits was reported as an operating cash inflow and \$7.6 million of excess tax benefits as a financing cash inflow. For the fiscal year ended April 27, 2011, \$12.4 million of cash tax benefits was reported as an operating cash inflow and \$8.6 million of excess tax benefits as a financing cash inflow. For the fiscal year ended April 28, 2010, \$6.9 million of cash tax benefits was reported as an operating cash inflow and \$2.4 million of excess tax benefits as a financing cash inflow.

A summary of the Company’s 2003 Plan at April 29, 2012 is as follows:

	<i>2003 Plan</i>
	<i>(In thousands)</i>
Number of shares authorized	18,869
Number of stock option shares granted	(9,992)
Number of stock option shares cancelled/forfeited and returned to the plan	313
Number of restricted stock units and restricted stock issued	(4,895)
Shares available for grant as stock options	4,295

During Fiscal 2012, the Company granted 1,649,119 option awards to employees sourced from the 2003 Plan. The weighted average fair value per share of the options granted during the fiscal years ended April 29, 2012, April 27, 2011, and April 28, 2010 as computed using the Black-Scholes pricing model was \$5.80, \$5.36, and \$4.71, respectively. The weighted average assumptions used to estimate these fair values are as follows:

	<i>Fiscal Year Ended</i>		
	<i>April 29, 2012</i>	<i>April 27, 2011</i>	<i>April 28, 2010</i>
Dividend yield	3.7%	3.9%	4.3%
Expected volatility	20.9%	20.5%	20.2%
Expected term (years)	5.0	5.5	5.5
Risk-free interest rate	1.0%	1.7%	2.7%

The dividend yield assumption is based on the current fiscal year dividend payouts. The expected volatility of the Company’s common stock at the date of grant is estimated based on a historic daily volatility rate over a period equal to the average life of an option. The weighted average expected life of options is based on consideration of historical exercise patterns adjusted for changes in the contractual term and exercise periods of current awards. The risk-free interest rate is based on the U.S. Treasury (constant maturity) rate in effect at the date of grant for periods corresponding with the expected term of the options.

# H. J. Heinz Company and Subsidiaries

## Notes to Consolidated Financial Statements — (Continued)

A summary of the Company's stock option activity and related information is as follows:

	Number of Options	Weighted Average Exercise Price (per share)	Aggregate Intrinsic Value
	(In thousands, except per share data)		
Options outstanding at April 29, 2009	14,100	\$ 38.59	\$ 544,071
Options granted	1,768	39.12	69,166
Options exercised	(2,921)	35.46	(103,558)
Options cancelled/forfeited and returned to the plan	(26)	40.44	(1,068)
Options outstanding at April 28, 2010	12,921	39.36	508,611
Options granted	1,733	46.42	80,460
Options exercised	(4,813)	35.73	(171,980)
Options cancelled/forfeited and returned to the plan	(73)	42.81	(3,147)
Options outstanding at April 27, 2011	9,768	42.38	413,944
Options granted	1,649	52.19	86,068
Options exercised	(2,798)	37.99	(106,287)
Options cancelled/forfeited and returned to the plan	(11)	38.38	(435)
Options outstanding at April 29, 2012	8,608	\$ 45.69	\$ 393,290
Options vested and exercisable at April 28, 2010	9,300	\$ 37.59	\$ 349,600
Options vested and exercisable at April 27, 2011	5,744	\$ 40.65	\$ 233,507
Options vested and exercisable at April 29, 2012	4,418	\$ 43.90	\$ 193,942

The following summarizes information about shares under option in the respective exercise price ranges at April 29, 2012:

Range of Exercise Price Per Share	Options Outstanding			Options Exercisable		
	Number	Weighted- Average Remaining Life	Weighted- Average Remaining Exercise Price	Number	Weighted- Average Remaining Life	Weighted- Average Exercise Price
	Outstanding	(Years)	Per Share	Exercisable	(Years)	Per Share
	(Options in thousands)					
\$29.70-\$34.00	495	1.1	\$ 33.44	492	1.1	\$ 33.45
\$34.01-\$42.42	2,087	3.8	38.92	1,211	3.5	38.82
\$42.43-\$52.19	6,026	4.5	49.04	2,715	3.2	48.05
	8,608	4.2	\$ 45.69	4,418	3.1	\$ 43.90

The Company received proceeds of \$82.7 million, \$154.8 million, and \$67.4 million from the exercise of stock options during the fiscal years ended April 29, 2012, April 27, 2011 and April 28, 2010, respectively. The tax benefit recognized as a result of stock option exercises was \$15.1 million, \$21.0 million and \$9.3 million for the fiscal years ended April 29, 2012, April 27, 2011, and April 28, 2010, respectively.

A summary of the status of the Company's unvested stock options is as follows:

	Number of Options	Weighted Average Grant Date Fair Value (per share)
	(In thousands, except per share data)	
Unvested options at April 27, 2011	4,024	\$ 5.27
Options granted	1,649	5.80
Options vested	(1,483)	5.41
Unvested options at April 29, 2012	4,190	\$ 5.43



Notes to Consolidated Financial Statements — (Continued)

Unrecognized compensation cost related to unvested option awards under the 2000 and 2003 Plans totaled \$6.4 million and \$7.7 million as of April 29, 2012 and April 27, 2011, respectively. This cost is expected to be recognized over a weighted average period of 1.5 years.

**Restricted Stock Units and Restricted Shares:**

The 2003 Plan authorizes up to 9.4 million shares for issuance as restricted stock units (“RSUs”) or restricted stock with vesting periods from the first to the fifth anniversary of the grant date as set forth in the award agreements. Upon vesting, the RSUs are converted into shares of the Company’s stock on a one-for-one basis and issued to employees, subject to any deferral elections made by a recipient or required by the plan. Restricted stock is reserved in the recipients’ name at the grant date and issued upon vesting. The Company is entitled to an income tax deduction in an amount equal to the taxable income reported by the holder upon vesting of the award. RSUs generally vest over a period of one to four years after the date of grant.

Total compensation expense relating to RSUs and restricted stock was \$25.7 million, \$23.2 million and \$24.8 million for the fiscal years ended April 29, 2012, April 27, 2011, and April 28, 2010, respectively. Unrecognized compensation cost in connection with RSU and restricted stock grants totaled \$27.6 million, \$29.4 million, and \$29.8 million at April 29, 2012, April 27, 2011, and April 28, 2010, respectively. The cost is expected to be recognized over a weighted-average period of 1.7 years.

A summary of the Company’s RSU and restricted stock awards at April 29, 2012 is as follows:

	<i>2003 Plan</i>
	<i>(In thousands)</i>
Number of shares authorized	9,440
Number of shares reserved for issuance	(6,377)
Number of shares returned to the plan	1,482
Shares available for grant	4,545

A summary of the activity of unvested RSU and restricted stock awards and related information is as follows:

	<i>Number of Units</i>	<i>Weighted Average Grant Date Fair Value (Per Share)</i>
	<i>(In thousands, except per share data)</i>	
Unvested units and stock at April 29, 2009	1,722	\$ 44.08
Units and stock granted	628	39.55
Units and stock vested	(834)	40.59
Units and stock cancelled/forfeited and returned to the plan	(20)	44.12
Unvested units and stock at April 28, 2010	1,496	44.13
Units and stock granted	574	46.74
Units and stock vested	(725)	44.96
Units and stock cancelled/forfeited and returned to the plan	(49)	43.47
Unvested units and stock at April 27, 2011	1,296	44.84
Units and stock granted	526	52.31
Units and stock vested	(520)	45.27
Units and stock cancelled/forfeited and returned to the plan	(32)	45.90
Unvested units and stock at April 29, 2012	1,270	\$ 47.75

Upon share option exercise or vesting of restricted stock and RSUs, the Company uses available treasury shares and maintains a repurchase program that anticipates exercises and vesting of awards so that shares are available for issuance. The Company records forfeitures of restricted stock as treasury share repurchases.

## Notes to Consolidated Financial Statements — (Continued)

**Global Stock Purchase Plan:**

The Company has a shareholder-approved employee global stock purchase plan (the “GSPP”) that permits substantially all employees to purchase shares of the Company’s common stock at a discounted price through payroll deductions at the end of two six-month offering periods. Currently, the offering periods are February 16 to August 15 and August 16 to February 15. The purchase price of the option is equal to 95% of the fair market value of the Company’s common stock on the last day of the offering period. The number of shares available for issuance under the GSPP is a total of five million shares. During the two offering periods from February 16, 2011 to February 15, 2012, employees purchased 165,635 shares under the plan. During the two offering periods from February 16, 2010 to February 15, 2011, employees purchased 185,716 shares under the plan.

**Annual Incentive Bonus:**

The Company’s management incentive plans cover officers and other key employees. Participants may elect to be paid on a current or deferred basis. The aggregate amount of all awards may not exceed certain limits in any year. Compensation under the management incentive plans was approximately \$34 million, \$45 million, and \$49 million in fiscal years 2012, 2011 and 2010, respectively.

**Long-Term Performance Program:**

In Fiscal 2012, the Company granted performance awards as permitted in the 2003 Plan, subject to the achievement of certain performance goals. These performance awards are tied to the Company’s relative Total Shareholder Return (“Relative TSR”) Ranking within the defined Long-term Performance Program (“LTPP”) peer group and the 2-year average after-tax Return on Invested Capital (“ROIC”) metrics. The Relative TSR metric is based on the two-year cumulative return to shareholders from the change in stock price and dividends paid between the starting and ending dates. The starting value was based on the average of each LTPP peer group company stock price for the 60 trading days prior to and including April 27, 2011. The ending value will be based on the average stock price for the 60 trading days prior to and including the close of the Fiscal 2013 year end, plus dividends paid over the 2 year performance period. The Company also granted performance awards in Fiscal 2011 under the 2011-2012 LTPP and in Fiscal 2010 under the 2010-2011 LTPP. The compensation cost related to LTPP awards primarily recognized in SG&A and the related tax benefit are as follows:

	Fiscal Year Ended		
	April 29, 2012	April 27, 2011	April 28, 2010
	(In millions)		
Pre-tax compensation cost	\$ 18.4	\$ 21.5	\$ 20.7
Tax benefit	6.5	7.4	7.0
After-tax compensation cost	\$ 11.9	\$ 14.1	\$ 13.7

**11. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy consists of three levels to prioritize the inputs used in valuations, as defined below:

Level 1: Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

# H. J. Heinz Company and Subsidiaries

## Notes to Consolidated Financial Statements — (Continued)

As of April 29, 2012 and April 27, 2011, the fair values of the Company's assets and liabilities measured on a recurring basis are categorized as follows:

	April 29, 2012				April 27, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
(In thousands)								
<b>Assets:</b>								
Derivatives(a)	\$ —	\$ 90,221	\$ —	\$ 90,221	\$ —	\$ 115,705	\$ —	\$ 115,705
Short-term investments(b)	\$ —	\$ —	\$ —	\$ —	\$ 60,125	\$ —	\$ —	\$ 60,125
Total assets at fair value	\$ —	\$ 90,221	\$ —	\$ 90,221	\$ 60,125	\$ 115,705	\$ —	\$ 175,830
<b>Liabilities:</b>								
Derivatives(a)	\$ —	\$ 15,379	\$ —	\$ 15,379	\$ —	\$ 43,007	\$ —	\$ 43,007
Earn-out(c)	\$ —	\$ —	\$ 46,881	\$ 46,881	\$ —	\$ —	\$ 45,325	\$ 45,325
Total liabilities at fair value	\$ —	\$ 15,379	\$ 46,881	\$ 62,260	\$ —	\$ 43,007	\$ 45,325	\$ 88,332

- (a) Foreign currency derivative contracts are valued based on observable market spot and forward rates, and are classified within Level 2 of the fair value hierarchy. Interest rate swaps are valued based on observable market swap rates, and are classified within Level 2 of the fair value hierarchy. Cross-currency interest rate swaps are valued based on observable market spot and swap rates, and are classified within Level 2 of the fair value hierarchy. The total rate of return swap is valued based on observable market swap rates and the Company's credit spread, and is classified within Level 2 of the fair value hierarchy.
- (b) The Company acquired Coniexpress in Brazil in Fiscal 2011. The acquisition included short-term investments that are valued based on observable market rates and classified within Level 1 of the fair value hierarchy.
- (c) The Company acquired Foodstar in China in Fiscal 2011. Consideration for this acquisition included a potential earn-out payment in Fiscal 2014 contingent upon certain net sales and EBITDA (earnings before interest, taxes, depreciation and amortization) targets during Fiscals 2013 and 2014. The fair value of the earn-out was estimated using a discounted cash flow model and is based on significant inputs not observed in the market and thus represents a Level 3 measurement. Key assumptions in determining the fair value of the earn-out include the discount rate, and revenue and EBITDA projections for Fiscals 2013 and 2014. As of April 29, 2012 there were no significant changes to the fair value of the earn-out recorded for Foodstar at the acquisition date. A change in fair value of the earn-out could have a material impact on the Company's earnings.

There have been no transfers between Levels 1, 2 and 3 in Fiscals 2012 and 2011.

The Company recognized \$58.7 million of non-cash asset write-downs during Fiscal 2012 related to eight factory closures. These factory closures are directly linked to the Company's Fiscal 2012 productivity initiatives (see Note 3). These charges reduced the Company's carrying value in the assets to the estimated fair value, the remainder of which is not material.

The Company recognized \$12.6 million of non-cash asset write-offs during Fiscal 2010 related to two factory closures and the exit of a formula business in the U.K. These charges reduced the Company's carrying value in the assets to estimated fair value. The fair value of the assets was determined based on observable inputs.

The aggregate fair value of the Company's long-term debt, including the current portion, was \$5.70 billion as compared with the carrying value of \$4.98 billion at April 29, 2012, and \$5.00 billion as compared with the carrying value of \$4.53 billion at April 27, 2011. The Company's debt obligations are valued based on market quotes and are classified within Level 2 of the fair value hierarchy.

## Notes to Consolidated Financial Statements — (Continued)

**12. Pension and Other Postretirement Benefit Plans*****Pension Plans:***

The Company maintains retirement plans for the majority of its employees. Current defined benefit plans are provided primarily for domestic union and foreign employees. Defined contribution plans are provided for the majority of its domestic non-union hourly and salaried employees as well as certain employees in foreign locations.

***Other Postretirement Benefit Plans:***

The Company provides health care and life insurance benefits for retired employees and their eligible dependents. Certain of the Company's U.S. and Canadian employees may become eligible for such benefits. The Company currently does not fund these benefit arrangements until claims occur and may modify plan provisions or terminate plans at its discretion.

***Measurement Date:***

The Company uses the last day of its fiscal year as the measurement date for all of its defined benefit plans and other postretirement benefit plans.

***Obligations and Funded Status:***

The following table sets forth the changes in benefit obligation, plan assets and funded status of the Company's principal defined benefit plans and other postretirement benefit plans at April 29, 2012 and April 27, 2011.

	Pension Benefits		Other Retiree Benefits	
	2012	2011	2012	2011
	(In thousands)			
Change in Benefit Obligation:				
Benefit obligation at the beginning of the year	\$ 2,765,316	\$ 2,585,984	\$ 234,431	\$ 235,297
Service cost	33,719	32,329	5,967	6,311
Interest cost	139,525	142,133	11,457	12,712
Participants' contributions	2,281	2,444	712	822
Amendments	3,396	377	735	(3,710)
Actuarial loss/(gain)	196,606	(8,457)	17,278	(3,786)
Settlement	(1,854)	(3,275)	—	—
Benefits paid	(152,342)	(159,307)	(19,574)	(16,986)
Exchange/other	(56,300)	173,088	(1,989)	3,771
Benefit obligation at the end of the year	\$ 2,930,347	\$ 2,765,316	\$ 249,017	\$ 234,431
Change in Plan Assets:				
Fair value of plan assets at the beginning of the year	\$ 3,261,881	\$ 2,869,971	\$ —	\$ —
Actual return on plan assets	84,004	318,494	—	—
Settlement	(1,854)	(3,275)	—	—
Employer contribution	23,469	22,411	18,862	16,164
Participants' contributions	2,281	2,444	712	822
Benefits paid	(152,342)	(159,307)	(19,574)	(16,986)
Exchange/other	(76,605)	211,143	—	—
Fair value of plan assets at the end of the year	3,140,834	3,261,881	—	—
Funded status	\$ 210,487	\$ 496,565	\$ (249,017)	\$ (234,431)

# H. J. Heinz Company and Subsidiaries

## Notes to Consolidated Financial Statements — (Continued)

Amounts recognized in the consolidated balance sheets consist of the following:

	<i>Pension Benefits</i>		<i>Other Retiree Benefits</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>(In thousands)</i>			
Other non-current assets	\$ 399,868	\$ 644,598	\$ —	\$ —
Other accrued liabilities	(15,943)	(31,589)	(17,565)	(18,259)
Other non-current liabilities	(173,438)	(116,444)	(231,452)	(216,172)
Net asset/(liabilities) recognized	<u>\$ 210,487</u>	<u>\$ 496,565</u>	<u>\$ (249,017)</u>	<u>\$ (234,431)</u>

The accumulated benefit obligation for all defined benefit pension plans was \$2,791.8 million at April 29, 2012 and \$2,602.0 million at April 27, 2011.

Certain of the Company's pension plans have accumulated benefit and projected benefit obligations in excess of the fair value of plan assets. For these plans, the accumulated benefit obligations, projected benefit obligations and the fair value of plan assets at April 29, 2012 were \$630.3 million, \$642.3 million, and \$452.9 million, respectively. For pension plans having accumulated benefit and projected benefit obligations in excess of the fair value of plan assets at April 27, 2011, the accumulated benefit obligations, projected benefit obligations and the fair value of plan assets were \$154.3 million, \$175.0 million and \$27.0 million, respectively.

### ***Components of Net Periodic Benefit Cost and Defined Contribution Plan Expense:***

Total pension cost of the Company's principal pension plans and postretirement plans consisted of the following:

	<i>Pension Benefits</i>			<i>Other Retiree Benefits</i>		
	<i>2012</i>	<i>2011</i>	<i>2010</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>(In thousands)</i>					
Components of defined benefit net periodic benefit cost:						
Service cost	\$ 33,719	\$ 32,329	\$ 30,486	\$ 5,967	\$ 6,311	\$ 5,999
Interest cost	139,525	142,133	149,640	11,457	12,712	15,093
Expected return on assets	(234,717)	(229,258)	(211,408)	—	—	—
Amortization of:						
Prior service cost/(credit)	1,995	2,455	2,173	(6,127)	(5,155)	(3,796)
Net actuarial loss	83,800	77,687	53,882	1,095	1,604	540
Loss due to curtailment, settlement and special termination benefits	1,120	2,039	612	—	—	—
Net periodic benefit cost	<u>25,442</u>	<u>27,385</u>	<u>25,385</u>	<u>12,392</u>	<u>15,472</u>	<u>17,836</u>
Defined contribution plans	<u>46,572</u>	<u>49,089</u>	<u>47,356</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total cost	<u>72,014</u>	<u>76,474</u>	<u>72,741</u>	<u>12,392</u>	<u>15,472</u>	<u>17,836</u>
Less periodic benefit cost associated with discontinued operations	<u>—</u>	<u>—</u>	<u>618</u>	<u>—</u>	<u>—</u>	<u>—</u>
Periodic benefit cost associated with continuing operations	<u>\$ 72,014</u>	<u>\$ 76,474</u>	<u>\$ 72,123</u>	<u>\$ 12,392</u>	<u>\$ 15,472</u>	<u>\$ 17,836</u>

## Notes to Consolidated Financial Statements — (Continued)

**Accumulated Other Comprehensive Income:**

Amounts recognized in accumulated other comprehensive loss, before tax, consist of the following:

	<i>Pension Benefits</i>		<i>Other Retiree Benefits</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>(In thousands)</i>			
Net actuarial loss	\$ 1,174,199	\$ 909,796	\$ 28,000	\$ 11,816
Prior service cost/(credit)	30,051	28,649	(13,474)	(20,335)
Net amount recognized	<u>\$ 1,204,250</u>	<u>\$ 938,445</u>	<u>\$ 14,526</u>	<u>\$ (8,519)</u>

The change in other comprehensive loss related to pension benefit (losses)/gains arising during the period was \$(353.1) million and \$95.5 million at April 29, 2012 and April 27, 2011, respectively. The change in other comprehensive loss related to the reclassification of pension benefit losses to net income was \$87.3 million and \$82.2 million at April 29, 2012 and April 27, 2011, respectively.

The change in other comprehensive loss related to postretirement benefit (losses)/gains arising during the period is \$(18.0) million and \$7.5 million at April 29, 2012 and at April 27, 2011, respectively. The change in other comprehensive loss related to the reclassification of postretirement benefit gains to net income is \$5.0 million and \$3.6 million at April 29, 2012 and at April 27, 2011, respectively.

Amounts in accumulated other comprehensive loss (income) expected to be recognized as components of net periodic benefit cost/(credit) in the following fiscal year are as follows:

	<i>Pension Benefits</i>		<i>Other Retiree Benefits</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>(In thousands)</i>			
Net actuarial loss	\$ 77,238	\$ 85,932	\$ 1,803	\$ 1,095
Prior service cost/(credit)	2,569	2,020	(6,174)	(6,116)
Net amount recognized	<u>\$ 79,807</u>	<u>\$ 87,952</u>	<u>\$ (4,371)</u>	<u>\$ (5,021)</u>

**Assumptions:**

The weighted-average rates used for the fiscal years ended April 29, 2012 and April 27, 2011 in determining the projected benefit obligations for defined benefit pension plans and the accumulated postretirement benefit obligation for other postretirement plans were as follows:

	<i>Pension Benefits</i>		<i>Other Retiree Benefits</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Discount rate	4.8%	5.5%	4.1%	5.0%
Compensation increase rate	3.4%	3.8%	—%	—%

The weighted-average rates used for the fiscal years ended April 29, 2012, April 27, 2011, and April 28, 2010 in determining the defined benefit plans' net pension costs and net postretirement benefit costs were as follows:

	<i>Pension Benefits</i>			<i>Other Retiree Benefits</i>		
	<i>2012</i>	<i>2011</i>	<i>2010</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
Expected rate of return	8.2%	8.2%	8.1%	—%	—%	—%
Discount rate	4.8%	5.6%	6.5%	4.1%	5.5%	6.4%
Compensation increase rate	3.4%	4.0%	4.3%	—%	—%	—%

The Company's expected rate of return is determined based on a methodology that considers investment returns for certain asset classes over historic periods of various durations, in conjunction with the long-term outlook for inflation (i.e. "building block" approach). This methodology is applied to the actual asset allocation, which is in line with the investment policy guidelines for each plan. The Company also considers long-term rates of return for each asset class based on projections from consultants and investment advisors regarding the expectations of future investment performance of capital markets.

## Notes to Consolidated Financial Statements — (Continued)

The weighted-average assumed annual composite rate of increase in the per capita cost of company-provided health care benefits begins at 7.1% for 2013, gradually decreases to 4.8% by 2018 and remains at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for postretirement medical benefits. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	<u>1% Increase</u>	<u>1% Decrease</u>
	<i>(In thousands)</i>	
Effect on total service and interest cost components	\$ 1,592	\$ 1,426
Effect on postretirement benefit obligations	\$ 17,501	\$ 15,882

**Pension Plan Assets:**

The underlying basis of the investment strategy of the Company's defined benefit plans is to ensure that pension funds are available to meet the plans' benefit obligations when they are due. The Company's investment objectives include: investing plan assets in a high-quality, diversified manner in order to maintain the security of the funds; achieving an optimal return on plan assets within specified risk tolerances; and investing according to local regulations and requirements specific to each country in which a defined benefit plan operates. The investment strategy expects equity investments to yield a higher return over the long term than fixed income securities, while fixed income securities are expected to provide certain matching characteristics to the plans' benefit payment cash flow requirements. Company common stock held as part of the equity securities amounted to less than one percent of plan assets at April 29, 2012 and April 27, 2011. The Company's investment policy specifies the type of investment vehicles appropriate for the applicable plan, asset allocation guidelines, criteria for the selection of investment managers, procedures to monitor overall investment performance as well as investment manager performance. It also provides guidelines enabling the applicable plan fiduciaries to fulfill their responsibilities.

The Company's defined benefit pension plans' weighted average actual and target asset allocation at April 29, 2012 and April 27, 2011 were as follows:

Asset Category	Plan Assets at		Target Allocation at	
	2012	2011	2012	2011
Equity securities	61%	62%	59%	58%
Debt securities	31%	32%	32%	32%
Real estate	7%	3%	8%	9%
Other	1%	3%	1%	1%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

The following section describes the valuation methodologies used to measure the fair value of pension plan assets, including an indication of the level in the fair value hierarchy in which each type of asset is generally classified.

**Equity Securities.** These securities consist of direct investments in the stock of publicly traded companies. Such investments are valued based on the closing price reported in an active market on which the individual securities are traded. As such, the direct investments are classified as Level 1.

**Equity Securities (mutual and pooled funds).** Mutual funds are valued at the net asset value of shares held by the applicable plan at year end. As such, these mutual fund investments are classified as Level 1. Pooled funds are similar in nature to retail mutual funds, but are more efficient for institutional investors than retail mutual funds. As pooled funds are only accessible by institutional investors, the net asset value is not readily observable by non-institutional investors; therefore, pooled funds are classified as Level 2.

**Fixed Income Securities.** These securities consist of publicly traded U.S. and non-U.S. fixed interest obligations (principally corporate bonds and debentures). Such investments are valued through consultation and evaluation with brokers in the institutional market using quoted prices and other observable market data. As such, a portion of these securities are included in Levels 1, 2, and 3.

**Other Investments.** Primarily consist of real estate, private equity holdings, and interest rate swaps. Direct investments of real estate and private equity are valued by investment managers based on the most recent financial information available, which typically represents significant observable data. As such, these investments are generally classified as Level 3. The fair value of interest rate swaps is determined through use of observable market swap rates and are classified as Level 2.

# H. J. Heinz Company and Subsidiaries

## Notes to Consolidated Financial Statements — (Continued)

**Cash and Cash Equivalents.** This consists of direct cash holdings and institutional short-term investment vehicles. Direct cash holdings are valued based on cost, which approximates fair value and are classified as Level 1. Institutional short-term investment vehicles are valued daily and are classified as Level 2.

Asset Category	April 29, 2012			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Equity Securities	\$ 822,184	\$ —	\$ —	\$ 822,184
Equity Securities (mutual and pooled funds)	147,865	943,745	—	1,091,610
Fixed Income Securities	76,032	894,978	10,486	981,496
Other Investments	—	—	216,234	216,234
Cash and Cash Equivalents	10,335	18,975	—	29,310
Total	<u>\$ 1,056,416</u>	<u>\$ 1,857,698</u>	<u>\$ 226,720</u>	<u>\$ 3,140,834</u>

Asset Category	April 27, 2011			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Equity Securities	\$ 863,404	\$ —	\$ —	\$ 863,404
Equity Securities (mutual and pooled funds)	157,296	1,005,678	—	1,162,974
Fixed Income Securities	53,381	966,157	9,649	1,029,187
Other Investments	—	—	131,095	131,095
Cash and Cash Equivalents	16,270	58,951	—	75,221
Total	<u>\$ 1,090,351</u>	<u>\$ 2,030,786</u>	<u>\$ 140,744</u>	<u>\$ 3,261,881</u>

### Level 3 Gains and Losses:

Changes in the fair value of the Plan's Level 3 assets are summarized as follows:

	Fair Value April 27, 2011	Acquisitions	Transfers In	Dispositions	Realized Gain/(Loss)	Unrealized Gain/(Loss)	Fair Value April 29, 2012
	(In thousands)						
Fixed Income Securities	\$ 9,649	\$ —	\$ —	\$ —	\$ —	\$ 837	\$ 10,486
Other Investments	131,095	96,938	10,138	(21,262)	753	(1,428)	216,234
Total	<u>\$140,744</u>	<u>\$96,938</u>	<u>\$10,138</u>	<u>\$(21,262)</u>	<u>\$ 753</u>	<u>\$ (591)</u>	<u>\$226,720</u>

	Fair Value April 28, 2010	Acquisitions	Dispositions	Realized Gain/(Loss)	Unrealized Gain/(Loss)	Fair Value April 27, 2011
	(In thousands)					
Fixed Income Securities	\$ 8,646	\$ —	\$ —	\$ —	\$ 1,003	\$ 9,649
Other Investments	35,569	95,518	(619)	2,727	(2,100)	131,095
Total	<u>\$ 44,215</u>	<u>\$ 95,518</u>	<u>\$ (619)</u>	<u>\$ 2,727</u>	<u>\$ (1,097)</u>	<u>\$ 140,744</u>

### Cash Flows:

The Company contributed \$23.5 million to the defined benefit plans in Fiscal 2012, none of which was discretionary. The Company funds its U.S. defined benefit plans in accordance with IRS regulations, while foreign defined benefit plans are funded in accordance with local laws and regulations in each respective country. Discretionary contributions to the pension funds may also be made by the Company from time to time. Defined benefit plan contributions for the next fiscal year are expected to be approximately \$80 million; however, actual contributions may be affected by pension asset and liability valuation changes during the year.



Notes to Consolidated Financial Statements — (Continued)

The Company paid \$18.9 million for benefits in the postretirement medical plans in Fiscal 2012. The Company makes payments on claims as they occur during the fiscal year. Payments for the next fiscal year are expected to be approximately \$17.6 million. The medical subsidy received in Fiscal 2012 was \$1.1 million. The Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010, and on March 30, 2010, the Health Care and Education Reconciliation Act of 2010 (HCERA) was signed into law, which amends certain aspects of the PPACA. Among other things, the PPACA reduces the tax benefits available to an employer that receives the Medicare Part D subsidy. As a result of the PPACA, the Company was required to recognize in Fiscal 2010 tax expense of \$3.9 million (approximately \$0.01 per share) related to the reduced deductibility in future periods of the postretirement prescription drug coverage. The PPACA and HCERA will have both immediate and long-term ramifications for many employers, including the Company, that provide retiree health benefits.

Benefit payments expected in future years are as follows:

	<i>Pension Benefits</i>	<i>Other Retiree Benefits</i>
	<i>(In thousands)</i>	
2013	\$ 171,479	\$ 17,565
2014	\$ 186,555	\$ 18,265
2015	\$ 171,446	\$ 18,706
2016	\$ 174,053	\$ 19,240
2017	\$ 174,488	\$ 19,831
Years 2018-2022	\$ 891,680	\$ 99,799

**13. Derivative Financial Instruments and Hedging Activities**

The Company operates internationally, with manufacturing and sales facilities in various locations around the world, and utilizes certain derivative financial instruments to manage its foreign currency, debt and interest rate exposures. At April 29, 2012, the Company had outstanding currency exchange, interest rate, and cross-currency interest rate derivative contracts with notional amounts of \$1.91 billion, \$160 million and \$386 million, respectively. At April 27, 2011, the Company had outstanding currency exchange, interest rate, and cross-currency interest rate derivative contracts with notional amounts of \$1.86 billion, \$1.51 billion and \$377 million, respectively. The fair value of derivative financial instruments was a net asset of \$74.8 million and \$72.7 million at April 29, 2012 and April 27, 2011, respectively.

# H. J. Heinz Company and Subsidiaries

## Notes to Consolidated Financial Statements — (Continued)

The following table presents the fair values and corresponding balance sheet captions of the Company's derivative instruments as of April 29, 2012 and April 27, 2011:

	April 29, 2012			April 27, 2011		
	Foreign Exchange Contracts	Interest Rate Contracts	Cross- Currency Interest Rate Swap Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Cross- Currency Interest Rate Swap Contracts
	(In thousands)					
<b>Assets:</b>						
Derivatives designated as hedging instruments:						
Other receivables, net	\$ 17,318	\$ 6,851	\$ 18,222	\$ 28,139	\$ 38,703	\$ —
Other non-current assets	8,188	29,393	4,974	7,913	16,723	14,898
	<u>25,506</u>	<u>36,244</u>	<u>23,196</u>	<u>36,052</u>	<u>55,426</u>	<u>14,898</u>
Derivatives not designated as hedging instruments:						
Other receivables, net	5,041	—	—	9,329	—	—
Other non-current assets	—	234	—	—	—	—
	<u>5,041</u>	<u>234</u>	<u>—</u>	<u>9,329</u>	<u>—</u>	<u>—</u>
Total assets	<u>\$ 30,547</u>	<u>\$ 36,478</u>	<u>\$ 23,196</u>	<u>\$ 45,381</u>	<u>\$ 55,426</u>	<u>\$ 14,898</u>
<b>Liabilities:</b>						
Derivatives designated as hedging instruments:						
Other payables	\$ 10,653	\$ —	\$ 2,760	\$ 27,804	\$ —	\$ 6,125
Other non-current liabilities	14	—	—	8,054	—	—
	<u>10,667</u>	<u>—</u>	<u>2,760</u>	<u>35,858</u>	<u>—</u>	<u>6,125</u>
Derivatives not designated as hedging instruments:						
Other payables	1,952	—	—	1,024	—	—
Total liabilities	<u>\$ 12,619</u>	<u>\$ —</u>	<u>\$ 2,760</u>	<u>\$ 36,882</u>	<u>\$ —</u>	<u>\$ 6,125</u>

Refer to Note 11 for further information on how fair value is determined for the Company's derivatives.

**H. J. Heinz Company and Subsidiaries**

**Notes to Consolidated Financial Statements — (Continued)**

The following table presents the pre-tax effect of derivative instruments on the statement of income for the fiscal year ended April 29, 2012:

	Fiscal Year Ended		
	April 29, 2012		
	Foreign Exchange Contracts	Interest Rate Contracts	Cross-Currency Interest Rate Swap Contracts
	(In thousands)		
Cash flow hedges:			
Net gains/(losses) recognized in other comprehensive loss (effective portion)	\$ 45,658	\$ (2,341)	\$ 5,725
Net gains/(losses) reclassified from other comprehensive loss into earnings (effective portion):			
Sales	\$ 8,033	\$ —	\$ —
Cost of products sold	(19,880)	—	—
Selling, general and administrative expenses	(62)	—	—
Other income, net	33,401	—	8,901
Interest income/(expense)	199	(146)	(5,966)
	21,691	(146)	2,935
Fair value hedges:			
Net losses recognized in other expense, net	—	(19,181)	—
Derivatives not designated as hedging instruments:			
Net losses recognized in other expense, net	(2,183)	—	—
Net gains recognized in interest income	—	234	—
	(2,183)	234	—
Total amount recognized in statement of income	\$ 19,508	\$ (19,093)	\$ 2,935

**H. J. Heinz Company and Subsidiaries**

**Notes to Consolidated Financial Statements — (Continued)**

The following table presents the pre-tax effect of derivative instruments on the statement of income for the fiscal year ended April 27, 2011:

	Fiscal Year Ended		
	April 27, 2011		
	Foreign Exchange Contracts	Interest Rate Contracts	Cross-Currency Interest Rate Swap Contracts
	(In thousands)		
Cash flow hedges:			
Net gains recognized in other comprehensive loss (effective portion)	\$ 3,626	\$ —	\$ 16,649
Net gains/(losses) reclassified from other comprehensive loss into earnings (effective portion):			
Sales	\$ 3,375	\$ —	\$ —
Cost of products sold	(23,372)	—	—
Selling, general and administrative expenses	(141)	—	—
Other income, net	35,744	—	24,644
Interest income/(expense)	226	—	(4,484)
	15,832	—	20,160
Fair value hedges:			
Net losses recognized in other expense, net	—	(51,125)	—
Net losses recognized in interest expense, net	—	(351)	—
	—	(51,476)	—
Derivatives not designated as hedging instruments:			
Net gains recognized in other expense, net	3,351	—	—
Total amount recognized in statement of income	\$ 19,183	\$ (51,476)	\$ 20,160

## Notes to Consolidated Financial Statements — (Continued)

The following table presents the pre-tax effect of derivative instruments on the statement of income for the fiscal year ended April 28, 2010:

	Fiscal Year Ended		
	April 28, 2010		
	Foreign Exchange Contracts	Interest Rate Contracts	Cross-Currency Interest Rate Swap Contracts
	(In thousands)		
Cash flow hedges:			
Net losses recognized in other comprehensive loss (effective portion)	\$ (38,422)	\$ —	\$ (13,692)
Net gains/(losses) reclassified from other comprehensive loss into earnings (effective portion):			
Sales	\$ 1,141	\$ —	\$ —
Cost of products sold	(5,104)	—	—
Selling, general and administrative expenses	108	—	—
Other expense, net	(11,574)	—	(7,819)
Interest income/(expense)	20	—	(1,867)
	(15,409)	—	(9,686)
Fair value hedges:			
Net losses recognized in other expense, net	—	(41,730)	—
Derivatives not designated as hedging instruments:			
Net losses recognized in other expense, net	(59)	—	—
Net gains recognized in interest income	—	30,469	—
	(59)	30,469	—
Total amount recognized in statement of income	\$ (15,468)	\$ (11,261)	\$ (9,686)

**Foreign Currency Hedging:**

The Company uses forward contracts and to a lesser extent, option contracts to mitigate its foreign currency exchange rate exposure due to forecasted purchases of raw materials and sales of finished goods, and future settlement of foreign currency denominated assets and liabilities. The Company's principal foreign currency exposures that are hedged include the Australian dollar, British pound sterling, Canadian dollar, Euro, and the New Zealand dollar. Derivatives used to hedge forecasted transactions and specific cash flows associated with foreign currency denominated financial assets and liabilities that meet the criteria for hedge accounting are designated as cash flow hedges. Consequently, the effective portion of gains and losses is deferred as a component of accumulated other comprehensive loss and is recognized in earnings at the time the hedged item affects earnings, in the same line item as the underlying hedged item.

The Company has used certain foreign currency debt instruments as net investment hedges of foreign operations. Losses of \$32.3 million, net of income taxes of \$20.4 million, which represented effective hedges of net investments, were reported as a component of accumulated other comprehensive loss within unrealized translation adjustment for the fiscal year ended April 28, 2010.

During the first quarter of Fiscal 2011, the Company early terminated certain foreign currency forward contracts, receiving cash proceeds of \$11.6 million, and will release the gain in accumulated other comprehensive loss to earnings when the underlying transactions occur. The underlying transactions are scheduled to occur at various points in time through 2014.

**Interest Rate Hedging:**

The Company uses interest rate swaps to manage debt and interest rate exposures. The Company is exposed to interest rate volatility with regard to existing and future issuances of fixed and floating rate debt. Primary exposures include U.S. Treasury rates, London Interbank Offered Rates (LIBOR), and commercial paper rates in the United States. Derivatives used to hedge risk associated with changes in the fair value of certain fixed-rate debt obligations are primarily designated as fair value hedges. Consequently, changes in the fair value of these derivatives, along with changes in the fair value of the hedged debt obligations that are attributable to the hedged risk, are recognized in current period earnings.

Notes to Consolidated Financial Statements — (Continued)

The Company had outstanding cross-currency interest rate swaps with a total notional amount of \$386.2 million and \$377.3 million as of April 29, 2012 and April 27, 2011, respectively, which were designated as cash flow hedges of the future payments of loan principal and interest associated with certain foreign denominated variable rate debt obligations. These contracts are scheduled to mature in Fiscals 2013 and 2014.

Hedge accounting adjustments related to debt obligations totaled \$128.4 million and \$150.5 million as of April 29, 2012 and April 27, 2011, respectively. See Note 8 for further information.

***Deferred Hedging Gains and Losses:***

As of April 29, 2012, the Company is hedging forecasted transactions for periods not exceeding 3 years. During the next 12 months, the Company expects \$1.7 million of net deferred gains reported in accumulated other comprehensive loss to be reclassified to earnings, assuming market rates remain constant through contract maturities. Hedge ineffectiveness related to cash flow hedges, which is reported in current period earnings as other expense, net, was not significant for the years ended April 29, 2012, April 27, 2011 and April 28, 2010. Amounts reclassified to earnings because the hedged transaction was no longer expected to occur were not significant for the years ended April 29, 2012, April 27, 2011 and April 28, 2010.

***Other Activities:***

The Company enters into certain derivative contracts in accordance with its risk management strategy that do not meet the criteria for hedge accounting but which have the economic impact of largely mitigating foreign currency or interest rate exposures. The Company maintained foreign currency forward contracts with a total notional amount of \$445.5 million and \$309.9 million that did not meet the criteria for hedge accounting as of April 29, 2012 and April 27, 2011, respectively. These forward contracts are accounted for on a full mark-to-market basis through current earnings, with gains and losses recorded as a component of other expense, net. Net unrealized gains related to outstanding contracts totaled \$3.1 million and \$8.3 million as of April 29, 2012 and April 27, 2011, respectively. These contracts are scheduled to mature within one year.

Forward contracts that were put in place to help mitigate the unfavorable impact of translation associated with key foreign currencies resulted in gains/(losses) of \$8.8 million, \$(16.9) million and \$(2.5) million for the years ended April 29, 2012, April 27, 2011 and April 28, 2010, respectively.

The Company entered into a three-year total rate of return swap with an unaffiliated international financial institution during the third quarter of Fiscal 2012 with a notional amount of \$119 million. This instrument is being used as an economic hedge to reduce the interest cost related to the Company's \$119 million remarketable securities. The swap is being accounted for on a full mark-to-market basis through current earnings, with gains and losses recorded as a component of interest income. During the fiscal year ended April 29, 2012, the Company recorded a \$0.1 million reduction in interest income, representing changes in the fair value of the swap and interest earned on the arrangement. Net unrealized gains totaled \$0.2 million as of April 29, 2012. In connection with this swap, the Company is required to maintain a restricted cash collateral balance of \$34.1 million with the counterparty for the term of the swap.

During Fiscal 2010, the Company terminated its \$175 million notional total rate of return swap that was being used as an economic hedge to reduce a portion of the interest cost related to the Company's remarketable securities. The unwinding of the total rate of return swap was completed in conjunction with the exchange of \$681 million of dealer remarketable securities discussed in Note 8. Upon termination of the swap, the Company received net cash proceeds of \$47.6 million, in addition to the release of the \$192.7 million of restricted cash collateral that the Company was required to maintain with the counterparty for the term of the swap. Prior to termination, the swap was being accounted for on a full mark-to-market basis through earnings, as a component of interest income. The Company recorded a benefit in interest income of \$28.3 million for the year ended April 28, 2010, representing changes in the fair value of the swap and interest earned on the arrangement, net of transaction fees.

***Concentration of Credit Risk:***

Counterparties to currency exchange and interest rate derivatives consist of major international financial institutions. The Company continually monitors its positions and the credit ratings of the counterparties involved and, by policy, limits the amount of credit exposure to any one party. While the Company may be exposed to potential losses due to the credit risk of non-performance by these counterparties, losses are not anticipated. During Fiscal 2012, one customer represented approximately 10% of the Company's sales. The Company closely monitors the credit risk associated with its counterparties and customers and to date has not experienced material losses.

## Notes to Consolidated Financial Statements — (Continued)

## 14. Income Per Common Share

The following are reconciliations of income from continuing operations to income from continuing operations applicable to common stock and the number of common shares outstanding used to calculate basic EPS to those shares used to calculate diluted EPS:

	<i>Fiscal Year Ended</i>		
	<i>April 29, 2012</i>	<i>April 27, 2011</i>	<i>April 28, 2010</i>
	<i>(52 1/2 Weeks)</i>	<i>(52 Weeks)</i>	<i>(52 Weeks)</i>
<i>(In thousands)</i>			
Income from continuing operations attributable to H.J. Heinz Company	\$ 923,159	\$ 989,510	\$ 914,489
Allocation to participating securities	1,939	1,746	2,153
Preferred dividends	9	12	9
Income from continuing operations applicable to common stock	<u>\$ 921,211</u>	<u>\$ 987,752</u>	<u>\$ 912,327</u>
Average common shares outstanding-basic	<u>320,686</u>	<u>320,118</u>	<u>315,948</u>
Effect of dilutive securities:			
Convertible preferred stock	104	105	105
Stock options, restricted stock and the global stock purchase plan	2,531	2,819	2,060
Average common shares outstanding-diluted	<u>323,321</u>	<u>323,042</u>	<u>318,113</u>

In Fiscal 2010, the Company adopted accounting guidance for determining whether instruments granted in share-based payment transactions are participating securities. This guidance states that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method.

Diluted EPS is based upon the average shares of common stock and dilutive common stock equivalents outstanding during the periods presented. Common stock equivalents arising from dilutive stock options, restricted common stock units, and the Global Stock Purchase Plan are computed using the treasury stock method.

Options to purchase an aggregate of 0.8 million, 2.4 million and 4.4 million shares of common stock as of April 29, 2012, April 27, 2011 and April 28, 2010 respectively, were not included in the computation of diluted earnings per share because inclusion of these options would be anti-dilutive. These options expire at various points in time through 2018.

## Notes to Consolidated Financial Statements — (Continued)

## 15. Other Comprehensive Income

The tax (expense)/benefit associated with each component of other comprehensive income are as follows:

	<i>H. J. Heinz Company</i>	<i>Noncontrolling Interest</i>	<i>Total</i>
	<i>(In thousands)</i>		
<b>April 29, 2012</b>			
Net pension and post-retirement benefit losses	\$ 112,665	\$ 9	\$ 112,674
Reclassification of net pension and post-retirement benefit losses to net income	\$ 25,070	\$ —	\$ 25,070
Unrealized translation adjustments	\$ 180	\$ —	\$ 180
Net change in fair value of cash flow hedges	\$ (17,770)	\$ 9	\$ (17,761)
Net hedging gains/losses reclassified into earnings	\$ (10,756)	\$ 92	\$ (10,664)
<b>April 27, 2011</b>			
Net pension and post-retirement benefit gains/losses	\$ (25,670)	\$ 14	\$ (25,656)
Reclassification of net pension and post-retirement benefit losses to net income	\$ 25,276	\$ —	\$ 25,276
Unrealized translation adjustments	\$ (1,158)	\$ —	\$ (1,158)
Net change in fair value of cash flow hedges	\$ (10,348)	\$ 132	\$ (10,216)
Net hedging gains/losses reclassified into earnings	\$ (15,149)	\$ 191	\$ (14,958)
<b>April 28, 2010</b>			
Net pension and post-retirement benefit gains/losses	\$ (39,186)	\$ 351	\$ (38,835)
Reclassification of net pension and post-retirement benefit losses to net income	\$ 18,468	\$ —	\$ 18,468
Unrealized translation adjustments	\$ 20,491	\$ —	\$ 20,491
Net change in fair value of cash flow hedges	\$ 13,713	\$ 260	\$ 13,973
Net hedging losses reclassified into earnings	\$ 7,885	\$ 83	\$ 7,968

## 16. Segment Information

The Company's segments are primarily organized by geographical area. The composition of segments and measure of segment profitability are consistent with that used by the Company's management.

Descriptions of the Company's reportable segments are as follows:

- **North American Consumer Products**—This segment primarily manufactures, markets and sells ketchup, condiments, sauces, pasta meals, and frozen potatoes, entrees, snacks, and appetizers to the grocery channels in the United States of America and includes our Canadian business.
- **Europe**—This segment includes the Company's operations in Europe and products in all of the Company's categories.
- **Asia/Pacific**—This segment includes the Company's operations in Australia, New Zealand, India, Japan, China, Papua New Guinea, South Korea, Indonesia, Vietnam and Singapore. This segment's operations include products in all of the Company's categories.
- **U.S. Foodservice**—This segment primarily manufactures, markets and sells branded and customized products to commercial and non-commercial food outlets and distributors in the United States of America including ketchup, condiments, sauces, frozen soups and desserts.
- **Rest of World**—This segment includes the Company's operations in Africa, Latin America, and the Middle East that sell products in all of the Company's categories.

The Company's management evaluates performance based on several factors including net sales, operating income and the use of capital resources. Inter-segment revenues, items below the operating income line of the consolidated statements of income, and certain costs associated with the Fiscals 2012 and 2010 corporation-wide productivity initiatives are not presented by segment,



# H. J. Heinz Company and Subsidiaries

## Notes to Consolidated Financial Statements — (Continued)

since they are not reflected in the measure of segment profitability reviewed by the Company's management.

The following table presents information about the Company's reportable segments:

	<i>Fiscal Year Ended</i>					
	<i>April 29, 2012</i>	<i>April 27, 2011</i>	<i>April 28, 2010</i>	<i>April 29, 2012</i>	<i>April 27, 2011</i>	<i>April 28, 2010</i>
	<i>(52 1/2 Weeks)</i>	<i>(52 Weeks)</i>	<i>(52 Weeks)</i>	<i>(52 1/2 Weeks)</i>	<i>(52 Weeks)</i>	<i>(52 Weeks)</i>
	<i>(In thousands)</i>					
	<i>Net External Sales</i>			<i>Operating Income (Loss)</i>		
North American Consumer Products	\$ 3,241,533	\$ 3,265,857	\$ 3,192,219	\$ 812,056	\$ 832,719	\$ 771,497
Europe	3,441,282	3,236,800	3,332,619	608,829	581,148	554,300
Asia/Pacific	2,568,716	2,320,789	2,007,252	206,306	221,580	195,261
U.S. Foodservice	1,418,970	1,413,456	1,429,511	166,298	175,977	150,628
Rest of World	978,578	469,686	533,382	105,080	53,371	69,219
Non-Operating(a)	—	—	—	(223,084)	(216,605)	(158,989)
Productivity initiatives(d)	—	—	—	(224,317)	—	(37,665)
Gain on property disposal in the Netherlands(e)	—	—	—	—	—	14,977
Consolidated Totals	<u>\$ 11,649,079</u>	<u>\$ 10,706,588</u>	<u>\$ 10,494,983</u>	<u>\$ 1,451,168</u>	<u>\$ 1,648,190</u>	<u>\$ 1,559,228</u>
	<i>Depreciation and Amortization Expenses</i>			<i>Capital Expenditures(b)</i>		
Total North America	\$ 133,589	\$ 123,817	\$ 122,774	\$ 103,958	\$ 101,001	\$ 88,841
Europe	98,384	91,222	105,684	113,420	97,964	74,095
Asia/Pacific	63,102	53,326	46,976	99,912	71,419	46,105
Rest of World	19,290	6,324	6,638	38,539	12,829	11,785
Non-Operating(a)	28,428	23,971	16,978	62,905	52,433	56,816
Consolidated Totals	<u>\$ 342,793</u>	<u>\$ 298,660</u>	<u>\$ 299,050</u>	<u>\$ 418,734</u>	<u>\$ 335,646</u>	<u>\$ 277,642</u>
	<i>Identifiable Assets</i>					
Total North America	\$ 3,394,387	\$ 3,633,276	\$ 3,532,477			
Europe	4,158,349	4,398,944	3,815,179			
Asia/Pacific	2,544,332	2,424,739	1,869,591			
Rest of World	1,145,696	1,149,802	276,902			
Non-Operating(c)	740,529	623,884	581,562			
Consolidated Totals	<u>\$ 11,983,293</u>	<u>\$ 12,230,645</u>	<u>\$ 10,075,711</u>			

- (a) Includes corporate overhead, intercompany eliminations and charges not directly attributable to operating segments.
- (b) Excludes property, plant and equipment obtained through acquisitions.
- (c) Includes identifiable assets not directly attributable to operating segments.
- (d) See Note 3 for further details on Fiscal 2012 productivity initiatives. Fiscal 2010 includes costs associated with targeted workforce reductions and asset write-offs, that were part of a corporation-wide initiative to improve productivity. The asset write-offs related to two factory closures and the exit of a formula business in the U.K.
- (e) Includes payments received from the government in the Netherlands net of estimated costs to exit the facility. See Note 4 for additional explanation.

# H. J. Heinz Company and Subsidiaries

## Notes to Consolidated Financial Statements — (Continued)

The Company's revenues are generated via the sale of products in the following categories:

	<i>Fiscal Year Ended</i>		
	<i>April 29, 2012</i>	<i>April 27, 2011</i>	<i>April 28, 2010</i>
	<i>(52 1/2 Weeks)</i>	<i>(52 Weeks)</i>	<i>(52 Weeks)</i>
	<i>(In thousands)</i>		
Ketchup and Sauces	\$ 5,232,607	\$ 4,607,971	\$ 4,446,911
Meals and Snacks	4,479,502	4,282,318	4,289,977
Infant/Nutrition	1,232,248	1,175,438	1,157,982
Other	704,722	640,861	600,113
Total	<u>\$ 11,649,079</u>	<u>\$ 10,706,588</u>	<u>\$ 10,494,983</u>

The Company has significant sales and long-lived assets in the following geographic areas. Sales are based on the location in which the sale originated. Long-lived assets include property, plant and equipment, goodwill, trademarks and other intangibles, net of related depreciation and amortization.

	<i>Fiscal Year Ended</i>					
	<i>Net External Sales</i>			<i>Long-Lived Assets</i>		
	<i>April 29, 2012</i>	<i>April 27, 2011</i>	<i>April 28, 2010</i>			
	<i>(52 1/2 Weeks)</i>	<i>(52 Weeks)</i>	<i>(52 Weeks)</i>	<i>April 29, 2012</i>	<i>April 27, 2011</i>	<i>April 28, 2010</i>
	<i>(In thousands)</i>					
United States	\$ 3,958,259	\$ 3,991,344	\$ 3,993,692	\$ 2,419,518	\$ 2,425,446	\$ 2,403,078
United Kingdom	1,611,177	1,506,607	1,519,278	1,207,918	1,245,047	1,151,660
Other	6,079,643	5,208,637	4,982,013	3,540,923	3,731,815	2,605,690
Total	<u>\$ 11,649,079</u>	<u>\$ 10,706,588</u>	<u>\$ 10,494,983</u>	<u>\$ 7,168,359</u>	<u>\$ 7,402,308</u>	<u>\$ 6,160,428</u>

## 17. Quarterly Results

	<i>2012</i>				
	<i>First (13 Weeks)</i>	<i>Second (13 Weeks)</i>	<i>Third (13 Weeks)</i>	<i>Fourth (13 1/2 Weeks)</i>	<i>Total (52 1/2 Weeks)</i>
	<i>(Unaudited)</i>				
	<i>(In thousands, except per share amounts)</i>				
Sales	\$ 2,849,581	\$ 2,831,832	\$ 2,918,077	\$ 3,049,589	\$ 11,649,079
Gross profit	985,493	970,038	1,040,722	1,003,277	3,999,530
Net income attributable to H.J. Heinz Company	226,114	237,009	284,694	175,342	923,159
Per Share Amounts:					
Net income—diluted	\$ 0.70	\$ 0.73	\$ 0.88	\$ 0.54	\$ 2.85
Net income—basic	0.70	0.74	0.89	0.55	2.87
Cash dividends	0.48	0.48	0.48	0.48	1.92

# H. J. Heinz Company and Subsidiaries

## Notes to Consolidated Financial Statements — (Continued)

	2011				
	First (13 Weeks)	Second (13 Weeks)	Third (13 Weeks)	Fourth (13 Weeks)	Total (52 Weeks)
	(Unaudited) (In thousands, except per share amounts)				
Sales	\$ 2,480,825	\$ 2,614,623	\$ 2,722,350	\$ 2,888,790	\$ 10,706,588
Gross profit	907,977	966,627	1,028,293	1,049,643	3,952,540
Net income attributable to H.J. Heinz Company	240,427	251,435	273,785	223,863	989,510
Per Share Amounts:					
Net income—diluted	\$ 0.75	\$ 0.78	\$ 0.84	\$ 0.69	\$ 3.06
Net income—basic	0.76	0.78	0.85	0.70	3.09
Cash dividends	0.45	0.45	0.45	0.45	1.80

During Fiscal 2012 the Company invested in productivity initiatives designed to increase manufacturing effectiveness and efficiency as well as accelerate overall productivity on a global scale (see Note 3). The pre-tax and after-tax charges as well as the EPS impact of these productivity initiatives on the Company's Fiscal 2012 quarterly results are as follows:

	2012		
	Pre-tax charges	After-tax charges	EPS impact
	(Unaudited) (In millions, except per share amounts)		
First Quarter	\$ 40.5	\$ 28.4	\$ 0.09
Second Quarter	37.3	25.5	0.08
Third Quarter	33.8	22.8	0.07
Fourth Quarter	112.7	86.2	0.27
Total	\$ 224.3	\$ 162.9	\$ 0.50

(Totals may not add due to rounding)

### 18. Commitments and Contingencies

#### Legal Matters:

Certain suits and claims have been filed against the Company and have not been finally adjudicated. In the opinion of management, based upon the information that it presently possesses, the final conclusion and determination of these suits and claims would not be expected to have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

#### Lease Commitments:

Operating lease rentals for warehouse, production and office facilities and equipment amounted to approximately \$158.4 million in 2012, \$115.1 million in 2011 and \$119.1 million in 2010. Future lease payments for non-cancellable operating leases as of April 29, 2012 totaled \$492.5 million (2013-\$96.4 million, 2014-\$75.1 million, 2015-\$62.2 million, 2016-\$44.5 million, 2017-\$41.5 million and thereafter-\$172.9 million).

As of April 29, 2012, the Company was a party to two operating leases for buildings and equipment, one of which also includes land, under which the Company has guaranteed supplemental payment obligations of approximately \$134 million at the termination of these leases. The Company believes, based on current facts and circumstances, that any payment pursuant to these guarantees is remote. No significant credit guarantees existed between the Company and third parties as of April 29, 2012.

#### Redeemable Noncontrolling Interest:

The minority partner in Coniexpress has the right, at any time, to exercise a put option to require the Company to purchase his 20% equity interest at a redemption value determinable from a specified formula based on a multiple of EBITDA (subject to a fixed minimum linked to the original acquisition date value). The Company also has a call right on this noncontrolling interest exercisable at any time and subject to the same redemption price. The put and call options cannot be separated from the noncontrolling interest and the combination of a noncontrolling interest and the redemption feature require classification of the minority partner's interest as a redeemable noncontrolling interest in the consolidated balance sheet. The carrying amount of the redeemable noncontrolling interest approximates its maximum redemption value. Any subsequent change in maximum redemption

value would be adjusted through retained earnings. The reduction in carrying value from April 27, 2011 to April 29, 2012 was primarily due to the impact the weakening of the Brazilian Real had on translation into U.S. dollars. We do not currently believe the exercise of the put option would materially impact our results of operations or financial condition.

#### **19. Advertising Costs**

Advertising expenses (including production and communication costs) for fiscal years 2012, 2011 and 2010 were \$442.0 million, \$369.6 million and \$375.8 million, respectively. For fiscal years 2012, 2011 and 2010, \$151.5 million, \$119.0 million and \$108.9 million, respectively, were recorded as a reduction of revenue and \$290.5 million, \$250.6 million and \$266.9 million, respectively, were recorded as a component of SG&A.

#### **20. Venezuela- Foreign Currency and Inflation**

The Company applies highly inflationary accounting to its business in Venezuela. Under highly inflationary accounting, the financial statements of our Venezuelan subsidiary are remeasured into the Company's reporting currency (U.S. dollars) and exchange gains and losses from the remeasurement of monetary assets and liabilities are reflected in current earnings, rather than accumulated other comprehensive loss on the balance sheet, until such time as the economy is no longer considered highly inflationary. The impact of applying highly inflationary accounting for Venezuela on our consolidated financial statements is dependent upon movements in the official exchange rate between the Venezuelan bolivar fuerte and the U.S. dollar and the amount of net monetary assets and liabilities included in our subsidiary's balance sheet, which was \$99.8 million at April 29, 2012.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

There is nothing to be reported under this item.

**Item 9A. Controls and Procedures.**

**(a) Evaluation of Disclosure Controls and Procedures**

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this report, were effective and provided reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. See also "Report of Management on Internal Control over Financial Reporting."

**(b) Management's Report on Internal Control Over Financial Reporting**

Our management's report on Internal Control Over Financial Reporting is set forth in Item 8 and incorporated herein by reference.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, audited the effectiveness of the Company's internal control over financial reporting as of April 29, 2012, as stated in their report as set forth in Item 8.

**(c) Changes in Internal Control over Financial Reporting**

No change in the Company's internal control over financial reporting occurred during the Company's most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 9B. Other Information.**

There is nothing to be reported under this item.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance.

Information relating to the Directors of the Company is set forth under the captions “Election of Directors” and “Additional Information—Section 16 Beneficial Ownership Reporting Compliance” in the Company’s definitive Proxy Statement in connection with its Annual Meeting of Shareholders to be held August 28, 2012. Information regarding the Audit Committee members and the audit committee financial expert is set forth under the captions “Report of the Audit Committee” and “Relationship with Independent Registered Public Accounting Firm” in the Company’s definitive Proxy Statement in connection with its Annual Meeting of Shareholders to be held on August 28, 2012. Information relating to the executive officers of the Company is set forth under the caption “Executive Officers of the Registrant” in Part I of this report, and such information is incorporated herein by reference. The Company’s Global Code of Conduct, which is applicable to all employees, including the principal executive officer, the principal financial officer, and the principal accounting officer, as well as the charters for the Company’s Audit, Management Development & Compensation, Corporate Governance, and Corporate Social Responsibility Committees, as well as periodic and current reports filed with the SEC are available on the Company’s website, [www.heinz.com](http://www.heinz.com), and are available in print to any shareholder upon request. Such specified information is incorporated herein by reference.

### Item 11. Executive Compensation.

Information relating to executive and director compensation is set forth under the captions “Compensation Discussion and Analysis,” “Director Compensation Table,” and “Compensation Committee Report” in the Company’s definitive Proxy Statement in connection with its Annual Meeting of Shareholders to be held on August 28, 2012. Such information is incorporated herein by reference.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information relating to the ownership of equity securities of the Company by certain beneficial owners and management is set forth under the captions “Security Ownership of Certain Principal Shareholders” and “Security Ownership of Management” in the Company’s definitive Proxy Statement in connection with its Annual Meeting of Shareholders to be held on August 28, 2012. Such information is incorporated herein by reference.

The number of shares to be issued upon exercise and the number of shares remaining available for future issuance under the Company’s equity compensation plans at April 29, 2012 were as follows:

#### Equity Compensation Plan Information

	(a)	(b)	(c)
	<i>Number of securities to be issued upon exercise of outstanding options, warrants and rights</i>	<i>Weighted-average exercise price of outstanding options, warrants and rights</i>	<i>Number of securities remaining available for future issuance under equity compensation Plans (excluding securities reflected in column (a))</i>
Equity compensation plans approved by stockholders	10,864,554	\$ 45.47	4,295,249
Equity compensation plans not approved by stockholders <sup>(1)</sup>	64,413	N/A <sup>(2)</sup>	N/A
Total	10,928,967	\$ 45.47	4,295,249

- (1) The Executive Deferred Compensation Plan, as amended and restated effective January 1, 2005 and the Deferred Compensation Plan for Non-Employee Directors as amended and restated effective January 1, 2005, permit full-time salaried personnel based in the U.S. who have been identified as key employees and non-employee directors, to defer all or part of his or her cash compensation into either a cash account that accrues interest or a Heinz stock account. The election to defer is irrevocable. The Management Development & Compensation Committee of the Board of Directors administers the Plan. All amounts are payable at the times and in the amounts elected by the executives at the time of the deferral. The deferral period shall be at least one year and shall be no greater than the date of retirement or other termination, whichever is earlier. Amounts deferred into cash accounts are payable in cash, and amounts deferred into the Heinz stock account are payable in Heinz Common Stock. Compensation deferred into the Heinz stock account appreciates or depreciates according to the fair market value of Heinz Common Stock.

- (2) The grants made under the Executive Deferred Compensation Plan and the Deferred Compensation Plan for Non-Employee Directors are restricted or reserved shares of Common Stock, and therefore there is no exercise price.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

Information relating to the Company's policy on related person transactions and certain relationships with a beneficial shareholder is set forth under the caption "Related Person Transactions" in the Company's definitive Proxy Statement in connection with its Annual Meeting of Shareholders to be held on August 28, 2012. Such information is incorporated herein by reference.

Information relating to director independence is set forth under the caption "Director Independence Standards" in the Company's definitive Proxy Statement in connection with its Annual Meeting of Shareholders to be held on August 28, 2012. Such information is incorporated herein by reference.

**Item 14. Principal Accountant Fees and Services.**

Information relating to the principal auditor's fees and services is set forth under the caption "Relationship With Independent Registered Public Accounting Firm" in the Company's definitive Proxy Statement in connection with its Annual Meeting of Shareholders to be held on August 28, 2012. Such information is incorporated herein by reference.

## PART IV

### Item 15. *Exhibits and Financial Statement Schedules.*

- (a)(1) The following financial statements and reports are filed as part of this report under Item 8—"Financial Statements and Supplementary Data":
- Consolidated Balance Sheets as of April 29, 2012 and April 27, 2011
  - Consolidated Statements of Income for the fiscal years ended April 29, 2012, April 27, 2011 and April 28, 2010
  - Consolidated Statements of Equity for the fiscal years ended April 29, 2012, April 27, 2011 and April 28, 2010
  - Consolidated Statements of Cash Flows for the fiscal years ended April 29, 2012, April 27, 2011 and April 28, 2010
  - Notes to Consolidated Financial Statements
  - Report of Independent Registered Public Accounting Firm of PricewaterhouseCoopers LLP dated June 15, 2012, on the Company's consolidated financial statements and financial statement schedule filed as a part hereof for the fiscal years ended April 29, 2012, April 27, 2011 and April 28, 2010
- (2) The following report and schedule is filed herewith as a part hereof:
- Schedule II (Valuation and Qualifying Accounts and Reserves) for the three fiscal years ended April 29, 2012, April 27, 2011 and April 28, 2010
  - All other schedules are omitted because they are not applicable or the required information is included herein or is shown in the consolidated financial statements or notes thereto filed as part of this report incorporated herein by reference.
- (3) Exhibits required to be filed by Item 601 of Regulation S-K are listed below. Documents not designated as being incorporated herein by reference are filed herewith. The paragraph numbers correspond to the exhibit numbers designated in Item 601 of Regulation S-K.
- 3(i) Third Amended and Restated Articles of Incorporation of H. J. Heinz Company dated August 21, 2008, are incorporated herein by reference to Exhibit 3(i) of the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2008.
  - 3(ii) The Company's By-Laws, as amended effective April 29, 2012, are incorporated herein by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K dated March 16, 2012.
  - 4 Except as set forth below, there are no instruments with respect to long-term unregistered debt of the Company that involve indebtedness or securities authorized thereunder in amounts that exceed 10 percent of the total assets of the Company on a consolidated basis. The Company agrees to furnish a copy of any instrument or agreement defining the rights of holders of long-term debt of the Company upon request of the Securities and Exchange Commission.
    - (a) Indenture among the Company, H. J. Heinz Finance Company, and Bank One, National Association dated as of July 6, 2001 relating to H. J. Heinz Finance Company's \$550,000,000 6.75% Guaranteed Notes due 2032 and \$250,000,000 7.125% Guaranteed Notes due 2039 is incorporated herein by reference to Exhibit 4 of the Company's Annual Report on Form 10-K for the fiscal year ended May 1, 2002.
    - (b) Indenture among H. J. Heinz Company and Union Bank of California, N.A. dated as of July 15, 2008 relating to the Company's \$500,000,000 5.35% Notes due 2013, \$300,000,000 2.000% Notes due 2016, \$400,000,000 3.125% Notes due 2021, \$300,000,000 1.50% Notes due 2017, \$300,000,000 2.85% Notes due 2022 is incorporated herein by reference to Exhibit 4(d) of the Company's Annual Report on Form 10-K for the fiscal year ended April 29, 2009.
    - (c) Five-Year Credit Agreement dated June 30, 2011 among H.J. Heinz Company, H.J. Heinz Finance Company, the banks listed on the signature pages thereto and J.P. Morgan Chase Bank, N.A. as Administrative Agent is incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated July 7, 2011.
  - 10(a) Management contracts and compensatory plans:
    - (i) 1986 Deferred Compensation Program for H. J. Heinz Company and affiliated companies, as amended and restated in its entirety effective January 1, 2005, is incorporated herein by reference to Exhibit 10(a)(xi) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2008.



- (ii) H. J. Heinz Company Supplemental Executive Retirement Plan, as amended and restated effective November 12, 2008, is incorporated herein by reference to Exhibit 10(a)(ii) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended October 29, 2008.
- (iii) H. J. Heinz Company Executive Deferred Compensation Plan, as amended and restated effective January 1, 2005, is incorporated herein by reference to Exhibit 10(a)(xii) of the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2008.
- (iv) H. J. Heinz Company Stock Compensation Plan for Non-Employee Directors is incorporated herein by reference to Appendix A to the Company's Proxy Statement dated August 3, 1995.
- (v) H. J. Heinz Company 1996 Stock Option Plan, as amended and restated effective August 13, 2008, is incorporated herein by reference to Exhibit 10(a)(vii) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2008.
- (vi) H. J. Heinz Company Deferred Compensation Plan for Directors is incorporated herein by reference to Exhibit 10(a)(xiii) to the Company's Annual Report on Form 10-K for the fiscal year ended April 29, 1998.
- (vii) H. J. Heinz Company 2000 Stock Option Plan, as amended and restated effective August 13, 2008, is incorporated herein by reference to Exhibit 10(a)(viii) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2008.
- (viii) H. J. Heinz Company Executive Estate Life Insurance Program is incorporated herein by reference to Exhibit 10(a)(xv) to the Company's Annual Report on Form 10-K for the fiscal year ended May 1, 2002.
- (ix) H. J. Heinz Company Senior Executive Incentive Compensation Plan, as amended and restated effective January 1, 2008, is incorporated herein by reference to Exhibit 10(a)(xiii) to the Company's Quarterly Report on Form 10-Q for the quarterly period ending July 30, 2008.
- (x) Deferred Compensation Plan for Non-Employee Directors of H. J. Heinz Company, as amended and restated effective January 1, 2005, is incorporated herein by reference to Exhibit 10(a)(x) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2008.
- (xi) Form of Stock Option Award and Agreement for U.S. Employees is incorporated herein by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended January 26, 2005.
- (xii) Named Executive Officer and Director Compensation
- (xiii) Form of Revised Severance Protection Agreement is incorporated herein by reference to Exhibit 10(a)(i) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended October 29, 2008.
- (xiv) Form of Fiscal Year 2007 Restricted Stock Unit Award and Agreement is incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended November 1, 2006.
- (xv) Form of Fiscal Year 2008 Stock Option Award and Agreement (U.S. Employees) is incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended August 1, 2007.
- (xvi) Form of Stock Option Award and Agreement is incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended August 1, 2007.
- (xvii) Form of Restricted Stock Unit Award and Agreement is incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended August 1, 2007.
- (xviii) Form of Revised Fiscal Year 2008 Restricted Stock Unit Award and Agreement is incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended August 1, 2007.
- (xix) Form of Restricted Stock Award and Agreement (U.S. Employees Retention) is incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended August 1, 2007.

- (xx) Third Amended and Restated Fiscal Year 2003 Stock Incentive Plan is incorporated herein by reference to Exhibit 10(a)(ix) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2008.
- (xxi) Third Amended and Restated Global Stock Purchase Plan is incorporated herein by reference to Exhibit 10(a)(xiv) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2008.
- (xxii) Time Sharing Agreement dated as of September 14, 2007, between H. J. Heinz Company and William R. Johnson is incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K dated September 14, 2007.
- (xxiii) H. J. Heinz Company Annual Incentive Plan (as amended and restated effective January 1, 2008, as amended June 12, 2012).
- (xxiv) Form of Stock Option Award and Agreement for U.K. Employees on International Assignment is incorporated herein by reference to Exhibit 10(a)(xvii) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2008.
- (xxv) Form of Fiscal Year 2008 Restricted Stock Unit Award and Agreement (U.S. Employees—Retention) is incorporated herein by reference to Exhibit 10(a)(xxx) to the Company's Annual Report on Form 10-K for the fiscal year ended April 29, 2009.
- (xxvi) Form of Fiscal Year 2009 Restricted Stock Unit Award and Agreement (U.S. Employees) is incorporated herein by reference to Exhibit 10(a)(i) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2008.
- (xxvii) Form of Fiscal Year 2010-11 Long-Term Performance Program Award Agreement (U.S. Employees) is incorporated herein by reference to Exhibit 10(a)(xxxiv) to the Company's Annual Report on Form 10-K for the fiscal year ended April 29, 2009.
- (xxviii) Form of Fiscal Year 2010 Restricted Stock Unit Award and Agreement (U.S. Employees) is incorporated herein by reference to Exhibit 10(a)(i) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 29, 2009.
- (xxix) Form of Fiscal Year 2010 Restricted Stock Unit Award and Agreement (Non-U.S. Employees) is incorporated herein by reference to Exhibit 10(a)(ii) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 29, 2009.
- (xxx) Form of Fiscal Year 2010 Restricted Stock Unit Award and Agreement (U.S. Employees—Time Based Vesting) is incorporated herein by reference to Exhibit 10(a)(i) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended October 28, 2009.
- (xxxi) Form of Fiscal Year 2010-11 Long-Term Performance Program Award Agreement (Non-U.S. Employees) is incorporated herein by reference to the Exhibit 10(a)(xxxv) to the Company's Annual Report on Form 10-K for the fiscal year ended April 29, 2009.
- (xxxii) Form of Fiscal Year 2011 Restricted Stock Unit Award and Agreement (U.S. Employees) is incorporated herein by reference to the Exhibit 10(a)(i) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 28, 2010.
- (xxxiii) Form of Fiscal Year 2011 Restricted Stock Unit Award and Agreement (Non-U.S. Employees) is incorporated herein by reference to the Exhibit 10(a)(ii) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 28, 2010.
- (xxxiv) Form of Fiscal Year 2011 Stock Option Award Agreement for U.S. Employees is incorporated herein by reference to the Exhibit 10(a)(iii) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 28, 2010.
- (xxxv) Form of Fiscal Year 2011 Stock Option Award and Agreement for U.K. Expatriates on International Assignment is incorporated herein by reference to the Exhibit 10(a)(iv) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 28, 2010.

- (xxxvi) Form of Fiscal Year 2012 Restricted Stock Unit Award and Agreement (U.S. Employees) is incorporated herein by reference to Exhibit 10(a)(xxxvii) to the Company's Annual Report on Form 10-K for the fiscal year ended April 27, 2011.
- (xxxvii) Form of Fiscal Year 2012 Restricted Stock Unit Award and Agreement (Non-U.S. Employees) is incorporated herein by reference to Exhibit 10(a)(xxxviii) to the Company's Annual Report on Form 10-K for the fiscal year ended April 27, 2011.
- (xxxviii) Form of Fiscal Year 2012 Restricted Stock Unit Award and Agreement (U.S. Employees — Time Based Vesting) is incorporated herein by reference to Exhibit 10(a)(xxxix) to the Company's Annual Report on Form 10-K for the fiscal year ended April 27, 2011.
- (xxxix) Form of Fiscal Year 2012 Restricted Stock Unit Award and Agreement (U.S. Employees — Retention) is incorporated herein by reference to Exhibit 10(a)(xl) to the Company's Annual Report on Form 10-K for the fiscal year ended April 27, 2011.
- (xl) Form of Fiscal Year 2012 Stock Option Award and Agreement for U.S. Employees is incorporated herein by reference to Exhibit 10(a)(xli) to the Company's Annual Report on Form 10-K for the fiscal year ended April 27, 2011.
- (xli) Form of Fiscal Year 2012 Stock Option Award and Agreement for U.K. Expatriates on International Assignment is incorporated herein by reference to Exhibit 10(a)(xlii) to the Company's Annual Report on Form 10-K for the fiscal year ended April 27, 2011.
- (xlii) Form of Fiscal Year 2012-13 Long-Term Performance Program Award Agreement (U.S. Employees) is incorporated herein by reference to Exhibit 10(a)(xliii) to the Company's Annual Report on Form 10-K for the fiscal year ended April 27, 2011.
- (xliii) Form of Fiscal Year 2012-13 Long-Term Performance Program Award Agreement (Non-U.S. Employees) is incorporated herein by reference to Exhibit 10(a)(xliv) to the Company's Annual Report on Form 10-K for the fiscal year ended April 27, 2011.
- (xliv) First Amendment to Third Amended and Restated Global Stock Purchase Plan—H.J. Heinz Company U.K. Sub-Plan is incorporated herein by reference to Exhibit 10(a)(xlv) to the Company's Annual Report on Form 10-K for the fiscal year ended April 27, 2011.
- (xlv) Form of Fiscal Year 2013-14 Long-Term Performance Program Award Agreement (U.S. Employees).
- (xlvi) Form of Fiscal Year 2013-14 Long-Term Performance Program Award Agreement (Non-U.S. Employees).

12	Computation of Ratios of Earnings to Fixed Charges.
21	Subsidiaries of the Registrant.
23	Consent of PricewaterhouseCoopers LLP.
24	Powers-of-attorney of the Company's directors.
31(a)	Rule 13a-14(a)/15d-14(a) Certification by William R. Johnson.
31(b)	Rule 13a-14(a)/15d-14(a) Certification by Arthur B. Winkleblack.
32(a)	Certification by the Chief Executive Officer Relating to the Annual Report Containing Financial Statements.
32(b)	Certification by the Chief Financial Officer Relating to the Annual Report Containing Financial Statements.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Labels Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

Copies of the exhibits listed above will be furnished upon request to holders or beneficial holders of any class of the Company's stock, subject to payment in advance of the cost of reproducing the exhibits requested.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on June 15, 2012.

H. J. HEINZ COMPANY  
(Registrant)  
By: /s/ Arthur B. Winkleblack  
**Arthur B. Winkleblack**  
*Executive Vice President and Chief Financial Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated, on June 15, 2012.

<u>Signature</u>	<u>Capacity</u>
/s/ William R. Johnson <b>William R. Johnson</b>	Chairman, President and Chief Executive Officer (Principal Executive Officer)
/s/ Arthur B. Winkleblack <b>Arthur B. Winkleblack</b>	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Edward J. McMenamin <b>Edward J. McMenamin</b>	Senior Vice President-Finance (Principal Accounting Officer)

William R. Johnson	Director	}
Charles E. Bunch	Director	}
Leonard S. Coleman, Jr.	Director	}
John G. Drosdick	Director	}
Edith E. Holiday	Director	}
Candace Kendle	Director	}
Dean R. O'Hare	Director	}
Nelson Peltz	Director	}
Dennis H. Reilley	Director	}
Lynn C. Swann	Director	}
Thomas J. Usher	Director	}
Michael F. Weinstein	Director	}

By: /s/ Arthur B. Winkleblack  
**Arthur B. Winkleblack**  
Attorney-in-Fact

I, William R. Johnson, certify that:

1. I have reviewed this annual report on Form 10-K of H. J. Heinz Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons fulfilling the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 15, 2012

By: /s/ William R. Johnson

Name: William R. Johnson

Title: Chairman, President and  
Chief Executive Officer

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I, Arthur B. Winkleblack, certify that:

1. I have reviewed this annual report on Form 10-K of H. J. Heinz Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons fulfilling the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 15, 2012

By: /s/ Arthur B. Winkleblack

Name: Arthur B. Winkleblack

Title: Executive Vice President and  
Chief Financial Officer

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**Certification by the Chief Executive Officer Relating to  
the Annual Report Containing Financial Statements**

I, William R. Johnson, Chairman, President and Chief Executive Officer, of H. J. Heinz Company, a Pennsylvania corporation (the "Company"), hereby certify that, to my knowledge:

1. The Company's annual report on Form 10-K for the fiscal year ended April 29, 2012 (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 15, 2012

By: /s/ William R. Johnson

Name: William R. Johnson

Title: Chairman, President and  
Chief Executive Officer

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**Certification by the Chief Executive Officer Relating to  
the Annual Report Containing Financial Statements**

I, Arthur B. Winkleblack, Executive Vice President and Chief Financial Officer, of H. J. Heinz Company, a Pennsylvania corporation (the “Company”), hereby certify that, to my knowledge:

1. The Company’s annual report on Form 10-K for the fiscal year ended April 29, 2012 (the “Form 10-K”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 15, 2012

By: /s/ Arthur B. Winkleblack

Name: Arthur B. Winkleblack

Title: Executive Vice President and  
Chief Financial Officer

## **DIRECTORS\***

H. J. Heinz Company

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### ***Directors***

#### **William R. Johnson**

Chairman, President and  
Chief Executive Officer  
Director since 1993. (1)

#### **Candace Kendle**

Former Chairman,  
Kendle International Inc.,  
Cincinnati, Ohio.  
Director since 1998. (2,4)

#### **Lynn C. Swann**

President, Swann, Inc.  
Managing Director, Diamond  
Edge  
Capital Partners, LLC in New  
York.  
Pittsburgh, Pennsylvania.  
Director since 2003. (4,5)

#### **Charles E. Bunch**

Chairman and  
Chief Executive Officer,  
PPG Industries, Inc.  
Pittsburgh, Pennsylvania.  
Director since 2003. (1,2,5)

#### **Dean R. O'Hare**

Former Chairman and Chief  
Executive Officer,  
The Chubb Corporation,  
Warren, New Jersey.  
Director since 2000. (1,3,4)

#### **Thomas J. Usher**

Chairman of Marathon Oil  
Company and Retired  
Chairman of  
United States Steel Corporation,  
Pittsburgh, Pennsylvania.  
Director since 2000. (1,3,4)

#### **Leonard S. Coleman, Jr.**

Former President of the  
National  
League of Professional  
Baseball Clubs;  
Middletown, NJ.  
Director since 1998. (1,2,5)

#### **Nelson Peltz**

Chief Executive Officer and  
founding partner of Trian  
Fund Management, L.P.  
New York, NY  
Director since 2006. (3,5)

#### **Michael F. Weinstein**

Chairman and Co-founder,  
INOV8  
Beverage Co., L.L.C.  
Rye, New York  
Director since 2006. (2,4)

#### **John G. Drosdick**

Former Chairman,  
President and  
Chief Executive Officer,  
Sunoco, Inc.  
Philadelphia, Pennsylvania.  
Director since 2005. (3,4)

#### **Dennis H. Reilley**

Former Chairman Covidien  
Former Chairman and  
Chief Executive Officer,  
Praxair  
Danbury, Connecticut.  
Director since 2005. (2,3)

#### ***Committees of the Board***

- (1) Executive Committee
- (2) Management Development and  
Compensation Committee
- (3) Corporate Governance  
Committee
- (4) Audit Committee
- (5) Corporate Social Responsibility  
Committee

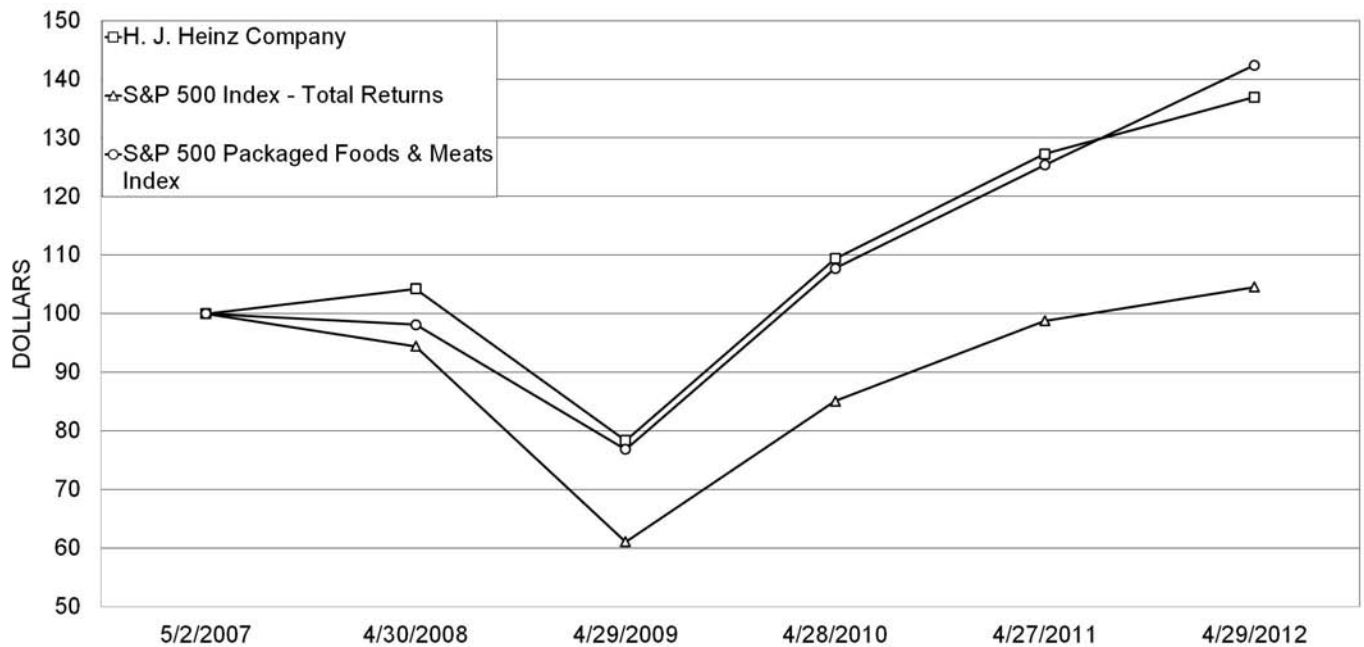
#### **Edith E. Holiday**

Attorney and Director,  
Various Corporations.  
Director since 1994. (2,5)

\* As of June 2012

## PERFORMANCE GRAPH

The following graph compares the cumulative total shareholder return on the Company's Common Stock over the five preceding fiscal years with the cumulative total shareholder return on the Standard & Poor's 500 Packaged Foods and Meats Index and the return on the Standard & Poor's 500 Index, assuming an investment of \$100 in each at their closing prices on May 2, 2007 and reinvestment of dividends.



	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
H.J. HEINZ COMPANY	100.00	104.26	78.40	109.42	127.25	136.94
S&P 500	100.00	94.45	61.15	85.14	98.83	104.55
S&P 500 PACKAGED FOODS AND MEATS INDEX	100.00	98.16	76.88	107.75	125.37	142.38

**FIVE-YEAR SUMMARY OF OPERATIONS AND OTHER RELATED DATA**  
**H. J. Heinz Company and Subsidiaries**

(In thousands, except per share amounts)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>SUMMARY OF OPERATIONS:</b>					
Sales <sup>(1)</sup>	\$ 11,649,079	\$ 10,706,588	\$ 10,494,983	\$ 10,011,331	\$ 9,885,556
Cost of products sold <sup>(1)</sup>	\$ 7,649,549	\$ 6,754,048	\$ 6,700,677	\$ 6,442,075	\$ 6,233,420
Interest expense <sup>(1)</sup>	\$ 294,104	\$ 275,398	\$ 295,711	\$ 339,635	\$ 364,808
Provision for income taxes <sup>(1)</sup>	\$ 243,535	\$ 368,221	\$ 358,514	\$ 375,483	\$ 372,587
Income from continuing operations attributable to H.J. Heinz Company common shareholders <sup>(1)</sup>	\$ 923,159	\$ 989,510	\$ 914,489	\$ 929,511	\$ 846,623
Income from continuing operations per share attributable to H.J. Heinz Company common shareholders-diluted <sup>(1)</sup>	\$ 2.85	\$ 3.06	\$ 2.87	\$ 2.91	\$ 2.62
Income from continuing operations per Share attributable to H.J. Heinz Company common shareholders-basic <sup>(1)</sup>	\$ 2.87	\$ 3.09	\$ 2.89	\$ 2.95	\$ 2.65
<b>OTHER RELATED DATA:</b>					
Dividends paid:					
Common	\$ 619,095	\$ 579,606	\$ 533,543	\$ 525,281	\$ 485,234
per share	\$ 1.92	\$ 1.80	\$ 1.68	\$ 1.66	\$ 1.52
Preferred	\$ 9	\$ 12	\$ 9	\$ 12	\$ 12
Average common shares outstanding-diluted	323,320,668	323,041,725	318,113,131	318,062,977	321,717,238
Average common shares outstanding-basic	320,686,010	320,118,159	315,947,737	313,747,318	317,019,072
Number of employees	32,200	34,800	29,600	32,400	32,500
Capital expenditures	\$ 418,734	\$ 335,646	\$ 277,642	\$ 292,121	\$ 301,588
Depreciation and amortization <sup>(1)</sup>	\$ 342,793	\$ 298,660	\$ 299,050	\$ 274,107	\$ 281,467
Total assets	\$ 11,983,293	\$ 12,230,645	\$ 10,075,711	\$ 9,664,184	\$ 10,565,043
Total debt	\$ 5,026,689	\$ 4,613,060	\$ 4,618,172	\$ 5,141,824	\$ 5,183,654
Total H.J. Heinz Company shareholders' equity	\$ 2,758,589	\$ 3,108,962	\$ 1,891,345	\$ 1,219,938	\$ 1,887,820
Return on average invested capital (ROIC) <sup>(2)</sup>	16.8%	19.3%	17.8%	18.4%	16.8%
Book value per common share	\$ 8.61	\$ 9.68	\$ 5.95	\$ 3.87	\$ 6.06
Price range of common stock:					
High	\$ 55.00	\$ 51.38	\$ 47.84	\$ 53.00	\$ 48.75
Low	\$ 48.17	\$ 40.00	\$ 34.03	\$ 30.51	\$ 41.37

- (1) Amounts exclude operating results related to the Company's private label frozen desserts business in the U.K. as well as the Kabobs and Appetizers And, Inc. businesses in the U.S., which were divested in Fiscal 2010 and have been presented in discontinued operations.
- (2) Fiscal 2012 ROIC includes a 240 basis point unfavorable impact from charges for productivity initiatives. Fiscal 2010 return on average invested capital includes a 90 basis point unfavorable impact of losses from discontinued operations.

The 2012 results include \$224.3 million pre-tax (\$162.9 million after tax) for productivity initiatives. These charges were comprised of the following:

- \$58.7 million relating to asset write-downs and accelerated depreciation for the closure of eight factories, including two in Europe, three in the U.S. and three in Asia/Pacific,
- \$89.8 million for severance and employee benefit costs relating to the reduction of the global workforce by approximately 2,900 positions, and
- \$75.8 million associated with other implementation costs, primarily for professional fees, contract termination and relocation costs for the establishment of the European supply chain hub and to improve global manufacturing efficiencies.

See Note 3, "Productivity Initiatives" in Item 8-"Financial Statement and Supplementary Data" in the Form 10-K for further explanation of these initiatives.

The Fiscal 2010 results include expenses of \$37.7 million pretax (\$27.8 million after tax) for upfront productivity charges and a gain of \$15.0 million pretax (\$11.1 million after tax) on a property disposal in the Netherlands.

There were no special items in Fiscals 2011, 2009 and 2008.

## H. J. Heinz Company and Subsidiaries

### Non-GAAP Performance Ratios

The Company reports its financial results in accordance with accounting principles generally accepted in the United States of America ("GAAP"). However, management believes that certain non-GAAP performance measures and ratios, used in managing the business, may provide users of this financial information with additional meaningful comparisons between current results and results in prior periods. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported results prepared in accordance with GAAP. The following provides the calculation of the non-GAAP performance ratios discussed in the Company's Fiscal 2012 Annual Report that are not reconciled within the "Non-GAAP Measures" section of Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's Form 10-K.

#### Constant Currency

Constant currency results presented in this Annual Report represent the reported amount adjusted for translation (the effect of changes in average foreign exchange rates between the period presented and prior year weighted average rates) and the impact of current year foreign currency translation hedges.

#### Results Excluding Special Items

The following reconciles Fiscal 2006 reported diluted earnings per share to diluted earnings per share excluding special items:

	<u>2006</u>
Earnings per share from continuing operations attributable to H.J. Heinz Company-Reported	\$ 1.25
Separation, downsizing and integration	0.28
Net loss on disposals & impairments	0.14
Asset impairment charges for cost and equity investments	0.31
American jobs creation act	0.07
Earnings per share from continuing operations attributable to H.J. Heinz Company excluding special items	<u>\$ 2.06</u>

#### Operating Free Cash Flow

Operating free cash flow is defined as cash from operations less capital expenditures net of proceeds from disposal of PP&E.

Total Company	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
	(In millions)						
Cash provided by operating activities	\$ 1,075.0	\$ 1,062.3	\$ 1,188.3	\$ 1,166.9	\$ 1,262.2	\$ 1,583.6	\$ 1,493.1
Capital expenditures	(230.6)	(244.6)	(301.6)	(292.1)	(277.6)	(335.6)	(418.7)
Proceeds from disposals of property, plant and equipment	19.4	60.7	8.5	5.4	96.5	13.2	9.8
Operating Free Cash Flow	<u>\$ 863.8</u>	<u>\$ 878.4</u>	<u>\$ 895.2</u>	<u>\$ 880.2</u>	<u>\$ 1,081.0</u>	<u>\$ 1,261.2</u>	<u>\$ 1,084.2</u>



## Organic Sales Growth

Organic sales growth is a non-GAAP measure that is defined as either volume plus price or total sales growth excluding the impact of foreign exchange and acquisitions and divestitures. This measure is utilized by senior management to provide investors with a more complete understanding of underlying sales trends by providing sales growth on a consistent basis. The limitation of this measure is its exclusion of the impact of foreign exchange and acquisitions and divestitures.

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Q109</u>	<u>Q209</u>	<u>Q309</u>	<u>Q409</u>	<u>2009</u>	<u>Q110</u>	<u>Q210</u>	<u>Q310</u>	<u>Q410</u>	<u>2010</u>
Total Heinz (Continuing Operations):													
Volume	3.9 %	0.8 %	3.9 %	5.4%	(0.9)%	(6.2)%	(1.9)%	(1.1)%	(3.9)%	(3.8)%	1.2%	1.6%	(1.3)%
Price	(0.1)%	2.2 %	3.5 %	5.3%	7.2 %	8.1 %	7.6 %	7.1 %	6.0 %	4.6 %	1.8%	1.0%	3.4 %
Acquisition	5.0 %	1.3 %	0.7 %	0.7%	1.2 %	2.5 %	3.4 %	2.0 %	3.1 %	3.1 %	2.9%	0.3%	2.3 %
Divestiture	(1.2)%	(3.1)%	(0.8)%	—%	(0.2)%	(0.1)%	(0.2)%	(0.1)%	(0.2)%	— %	—%	—%	(0.1)%
Exchange	(1.4)%	2.8 %	5.2 %	4.1%	(3.2)%	(11.3)%	(13.9)%	(6.6)%	(9.0)%	(1.0)%	6.9%	5.5%	0.5 %
Total Change in Sales	6.1 %	3.9 %	12.3 %	15.5%	4.0 %	(7.1)%	(5.0)%	1.3 %	(4.0)%	2.9 %	12.7%	8.3%	4.8 %
Total Organic Sales Growth	3.8 %	3.0 %	7.4 %	10.7%	6.3 %	1.9 %	5.7 %	6.0 %	2.1 %	0.8 %	3.0%	2.6%	2.1 %

	<u>Q111</u>	<u>Q211</u>	<u>Q311</u>	<u>Q411</u>	<u>2011</u>	<u>Q112</u>	<u>Q212</u>	<u>Q312</u>	<u>Q412</u>	<u>2012</u>
Total Heinz (Continuing Operations):										
Volume	2.5 %	0.3 %	0.5 %	(0.3)%	0.7 %	(0.7)%	(2.9)%	0.4 %	1.5 %	(0.3)%
Price	1.1 %	0.6 %	1.2 %	1.9 %	1.2 %	3.8 %	4.4 %	4.2 %	3.0 %	3.8 %
Acquisition	0.1 %	0.1 %	1.2 %	1.1 %	0.6 %	4.6 %	5.0 %	3.6 %	3.1 %	4.0 %
Divestiture	— %	— %	— %	— %	— %	— %	(0.6)%	(0.7)%	(0.7)%	(0.5)%
Exchange	(2.1)%	(2.3)%	(1.4)%	3.3 %	(0.5)%	7.2 %	2.4 %	(0.4)%	(1.3)%	1.8 %
Total Change in Sales	1.6 %	(1.2)%	1.5 %	6.0 %	2.0 %	14.9 %	8.3 %	7.2 %	5.6 %	8.8 %
Total Organic Growth	3.6 %	0.9 %	1.7 %	1.6 %	1.9 %	3.1 %	1.5 %	4.6 %	4.5 %	3.5 %

(Totals may not add due to rounding)

## CORPORATE DATA

**Heinz:** H. J. Heinz Company is one of the world's leading marketers of branded foods to retail and foodservice channels. Heinz has number-one or number-two branded businesses in more than 50 world markets.

Among the Company's famous brands are *Heinz®*, *Ore-Ida®*, *Smart Ones®*, *Classico®*, *Wyer's®*, *Delimex®*, *Bagel Bites®*, *Lea & Perrins®*, *HP®*, *Wattie's®*, *Farley's®*, *Plasmon®*, *BioDieterba®*, *Greenseas®*, *Cottee's®*, *Golden Circle®*, *Orlando®*, *ABC®*, *Honig®*, *De Ruijter®*, *Pudliszki®*, *Complan®*, *Glucon D®*, *Master®*, and *Quero®*. Heinz also uses the famous brands *Weight Watchers®*, *T.G.I. Friday's®*, *Jack Daniel's®*, *Amoy®*, *Guinness®*, and *PlantBottle®* under license.

Heinz provides employment for approximately 32,200 people full time, plus thousands of others on a part-time basis and during seasonal peaks.

**Annual Meeting** The annual meeting of the Company's shareholders will be held at 9:00 a.m. on August 28, 2012 in Pittsburgh at The Fairmont Hotel. The meeting will be Webcast live at [www.heinz.com](http://www.heinz.com).

**Copies of this Publication and Others Mentioned in this Report** are available without charge from the Corporate Affairs Department at the Heinz World Headquarters address or by calling (412) 456-6000.

**Form 10-K** The Company submits an annual report to the Securities and Exchange Commission on Form 10-K. Copies of this Form 10-K and exhibits are available without charge from the Corporate Affairs Department.

**Investor Information** Securities analysts and investors seeking additional information about the Company should contact Margaret Nollen, Senior Vice President-Investor Relations, at (412) 456-1048.

**Media Information** Journalists seeking additional information about the Company should contact Michael Mullen, Vice President of Corporate and Government Affairs, at (412) 456-5751.

**Equal Employment Opportunity** It is the continuing policy of H. J. Heinz Company to afford full equal employment opportunity to qualified employees and applicants regardless of their race, color, religion, sex, sexual orientation, gender identity or expression, national origin, ancestry, age, marital status, disability, medical condition, military or veteran status, citizenship status, or any other protected characteristic (or classification) in conformity with all applicable federal, state and local laws and regulations. This policy is founded not only upon the Company's belief that all employees and applicants have the inherent right to work in an environment free from discrimination or harassment but also upon the convictions that such discrimination or harassment interferes with employee work performance and productivity. The Company has affirmative action programs in place at all domestic locations to ensure equal opportunity for every employee.

The H. J. Heinz Company Equal Opportunity Review is available from the Corporate Affairs Department.

**Environmental Policy** H. J. Heinz Company is committed to protecting the environment. Each affiliate has established programs to review its environmental impact, to safeguard the environment and to train employees.

The H. J. Heinz Company Environmental, Health & Safety Report is available from the Corporate Affairs Department and is accessible on [www.heinz.com](http://www.heinz.com).

**Corporate Data** Transfer Agent, Registrar and Disbursing Agent (for inquiries and changes in shareholder accounts or to arrange for the direct deposit of dividends): Wells Fargo Shareowner Services, 161 N. Concord Exchange, South St. Paul, MN 55075-1139. (800) 253-3399 (within U.S.A.) or (651) 450-4064 or [www.wellsfargo.com/shareownerservices](http://www.wellsfargo.com/shareownerservices).

**Auditors:** PricewaterhouseCoopers LLP, 600 Grant Street, Pittsburgh, Pennsylvania 15219

### *Stock Listings:*

New York Stock Exchange, Inc.

Ticker Symbols: Common-HNZ; Third Cumulative Preferred-HNZ PR

The Annual Written Affirmation and the Annual CEO Affirmation were submitted on September 13, 2011.

**TDD Services** Wells Fargo Shareowner Services can be accessed through telecommunications devices for the hearing impaired by dialing (651) 450-4144.



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