

General Mills

A Portfolio for Global Growth
Annual Report 2011



WE HAVE A PORTFOLIO BUILT FOR GLOBAL GROWTH.

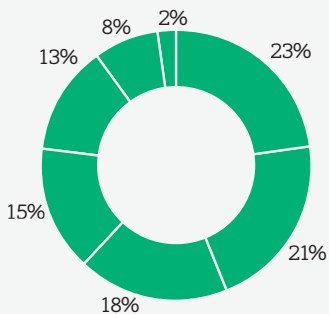
From ready-to-eat cereal to convenient meals to wholesome snacks, we compete in growing food categories that are on-trend with consumer tastes around the world. Our brands hold leading market positions in more than 100 markets worldwide, with great opportunities for expansion.



General Mills at a Glance

U.S. Retail

Net sales by division

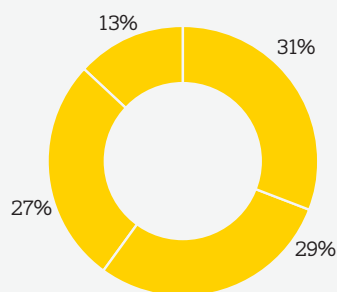


\$10.2 Billion

- 23% Big G Cereals
- 21% Meals
- 18% Pillsbury USA
- 15% Yoplait
- 13% Snacks
- 8% Baking Products
- 2% Small Planet Foods/Other

International

Net sales by region

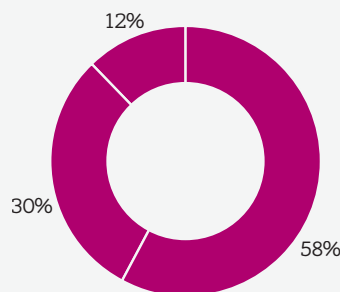


\$2.9 Billion

- 31% Europe
- 29% Asia/Pacific
- 27% Canada
- 13% Latin America

Bakeries and Foodservice

Net sales by customer type

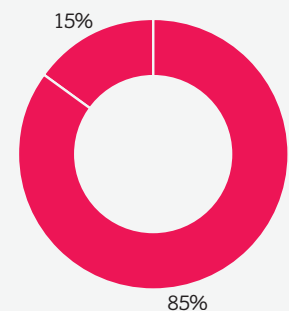


\$1.8 Billion

- 58% Bakeries & National Restaurant Accounts
- 30% Foodservice Distributors
- 12% Convenience Stores

Joint Ventures

Net sales by joint venture (not consolidated, proportionate share)



\$1.2 Billion

- 85% Cereal Partners Worldwide (CPW)
- 15% Häagen-Dazs Japan

Fiscal 2011 Financial Highlights

(In millions, except per share and return on capital data)	Fiscal Year Ended		Change
	May 29, 2011	May 30, 2010	
Net Sales	\$14,880	\$14,636	+ 2%
Segment Operating Profit ^a	2,946	2,840	+ 4
Net Earnings Attributable to General Mills	1,798	1,530	+18
Diluted Earnings per Share (EPS)	2.70	2.24	+20
Adjusted Diluted EPS, Excluding Certain Items Affecting Comparability ^b	2.48	2.30	+ 8
Return on Average Total Capital ^a	13.7%	13.8%	-10 basis pts.
Average Diluted Shares Outstanding	665	683	- 3
Dividends per Share	\$ 1.12	\$ 0.96	+17

Net Sales

Dollars in millions

11	14,880
10	14,636
09	14,556
08	13,548
07	12,304

Segment Operating Profit^a

Dollars in millions

11	2,946
10	2,840
09	2,624
08	2,394
07	2,273

Adjusted Diluted Earnings per Share^b

Dollars

11	2.48
10	2.30
09	1.99
08	1.76
07	1.59

Average Diluted Shares Outstanding

Shares in millions

11	665
10	683
09	687
08	694
07	720

Dividends per Share

Dollars

11	1.12
10	0.96
09	0.86
08	0.78
07	0.72

Return on Average Total Capital^a

Percent

11	13.7
10	13.8
09	12.3
08	11.7
07	11.0

^a See page 85 for discussion of non-GAAP measures.

^b Results exclude certain items affecting comparability. See page 85 for discussion of non-GAAP measures.

To Our Shareholders



Ken Powell

Chairman and Chief Executive Officer

I'm pleased to report that General Mills achieved good sales and earnings growth in fiscal 2011. Our results met the key targets we had set for the year, and represented performance consistent with our long-term growth model. The company's progress in 2011 extended a strong record of business growth in recent years.

Net sales for the fiscal year ended May 29, 2011, grew 2 percent to reach \$14.9 billion. Segment operating profit rose 4 percent to exceed \$2.9 billion. And diluted earnings per share (EPS) increased 20 percent to \$2.70. The EPS comparison included changes in mark-to-market valuation of certain commodity positions in both years, as well as certain tax items that resulted in a net earnings benefit in 2011 and a charge in 2010. Adjusted diluted earnings per share, which excludes these items from both years, grew 8 percent to \$2.48.

We were generally pleased with these results because fiscal 2011 presented a truly challenging environment for food manufacturers. Widespread price promotion took place across the food industry for much of last year. Costs for food ingredients and energy, which had moderated in the prior year, began rising again and the cost inflation accelerated as the year went on. In addition, consumers in developed markets remained cautious in a still uncertain economic environment. Results for our U.S. Retail segment reflected these challenges, with net sales of \$10.2 billion essentially matching year-ago levels and operating profit of \$2.3 billion declining 2 percent from record performance in 2010. However, we posted sales increases on a number of key businesses, including *Nature Valley* and *Fiber One* grain snacks, *Progreso* ready-to-serve soup, *Old El Paso* Mexican foods, and our Small Planet Foods line of organic

and natural products. Sales for Big G ready-to-eat cereals declined slightly, along with sales for the U.S. cereal category overall. But we maintained our share of cereal category sales in ACNielsen-measured channels, and our market share grew on an all-channel basis.

Our Bakeries and Foodservice segment, which competes primarily in U.S. channels for food eaten away from home, soundly outpaced industry trends. Net sales for this business segment grew 6 percent to \$1.8 billion. This included 3 percent growth in sales to foodservice distributors and an 11 percent increase in sales to convenience store customers. Segment operating profit rose 16 percent to exceed the \$300 million mark for the first time in company history.

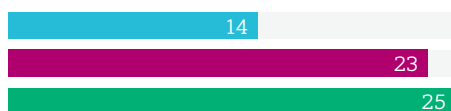
Our International segment results were strong across the board. Net sales rose 7 percent to nearly \$2.9 billion. Excluding the impact of foreign currency exchange rates, constant-currency net sales grew in each of the four regions where we compete, including gains of 7 percent in Europe and 9 percent in the Asia/Pacific region. International segment operating profit totaled \$291 million, up sharply from the prior year that included negative effects from Venezuelan currency devaluation and other foreign exchange items. Excluding foreign exchange effects, profit still grew at a double-digit rate.

Our Cereal Partners Worldwide (CPW) and Häagen-Dazs Japan (HDJ) joint ventures contributed a combined \$96 million in after-tax earnings in 2011. Combined CPW and HDJ net sales, which are not consolidated in General Mills' results, rose 4 percent led by higher sales for CPW.

Total Returns to Shareholders

Percent growth, stock price change plus reinvested dividends

Fiscal 2011



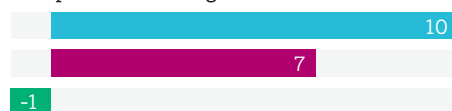
GIS

S&P Packaged Foods Index

S&P 500 Index

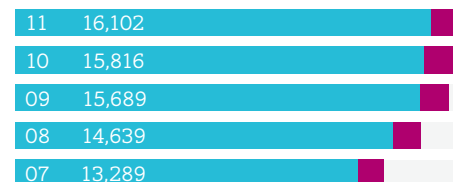
May 2007–May 2011

Compound annual growth



Worldwide Net Sales*

Dollars in millions



Consolidated Net Sales

Our Share of Ongoing Joint Venture Net Sales

*See page 85 of our 2011 Annual Report for discussion of non-GAAP measures.

Net Sales Performance

Operating Division/Segment	2011 Net Sales % Change
Small Planet Foods	+ 13
International Segment*	+ 7
Bakeries and Foodservice Segment	+ 6
Snacks	+ 5
Yoplait	+ 1
Meals	- 1
Big G Cereals	- 2
Pillsbury USA	- 2
Baking Products	- 4

*Does not include the impact of foreign currency translation. See page 86 of our 2011 Annual Report for a reconciliation to reported results.

In total, General Mills results in fiscal 2011 represented continuing growth on top of strong performance in recent years. Since 2007, General Mills net sales have grown at a 5 percent compound rate. Our segment operating profit has grown even faster, compounding at 7 percent per year. And our adjusted diluted EPS (this measure excludes certain items affecting comparability of results) has increased at a 12 percent compound rate.

Our good financial performance was reflected in price appreciation for General Mills stock in fiscal 2011. In addition, dividends per share grew 17 percent last year. In total, stock price appreciation plus dividends generated a 14 percent return to our shareholders for the year. This lagged the very strong returns posted by our peer group and the broader market in 2011. However, our 14 percent return followed a 43 percent return to GIS shareholders in the previous year.

As shown in the chart above, over the past four fiscal years General Mills has delivered a double-digit compound annual return to shareholders—superior performance in a volatile and challenging period for the equity market overall.

As we enter our next phase of growth, we are targeting continued good sales and earnings performance in the years ahead. It seems clear that food manufacturers will have to contend with higher—and more volatile—input costs. In our case, total supply chain cost inflation was 4 percent in 2011, and we've estimated 10 to 11 percent inflation in our plans for 2012. There are multiple factors contributing to this inflationary pressure, but the fundamental driver is growth of emerging markets and their increased demand for food ingredients and energy.

We adopted a new business model several years ago to help us manage higher inflation. This model begins with Holistic Margin Management (HMM), our discipline of using productivity, mix and price realization to offset inflation and protect our gross margin. A strong gross margin gives us the ability to fund continued high levels of investment in product improvements, new product development, sales capabilities and consumer marketing. These activities fuel net sales growth and ultimately, growth in earnings. We believe this HMM-driven business model has worked very well in recent years. As you can see in the charts on page 5, it enabled us to protect and expand gross margin over a five-year period when our input cost inflation averaged between 4 and 5 percent. We expect HMM to help us achieve continuing high-quality sales and earnings growth as we go forward.

A Selection of Our New Products Launched in 2011



We remain committed to our long-term growth model, which is outlined in the following table:

General Mills Long-term Growth Model

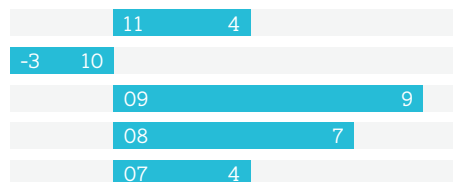
Growth Factor	Compound Annual Growth Target
Net Sales	Low single-digit
Segment Operating Profit	Mid single-digit
Earnings per Share	High single-digit
Dividend Yield	2 to 3 percent
Total Return to Shareholders	Double-digit

Our targets for fiscal 2012 differ from this long-term model due to two primary factors: a sharp increase in estimated input costs, and our acquisition of a controlling interest in the international Yoplait yogurt business. Our business plans before any impact from the Yoplait acquisition assume 10 to 11 percent input cost inflation for fiscal 2012, driven by higher costs for food ingredients and energy. We expect our HMM discipline of productivity, mix management and price realization to offset most, but not all, of this cost pressure. As a result, we are estimating a decline in our gross margin for the year, and we expect segment operating profit growth and earnings per share growth will be below our long-term targets. Net sales are expected to grow at a mid single-digit rate in 2012, driven by price realization and a strong lineup of new products and marketing initiatives.

On July 1, 2011, we completed the purchase of a controlling interest in Yoplait SAS, headquartered in France. Sodiaal, the leading French dairy cooperative, will hold the remaining interest. We intend to work together with Sodiaal to build the *Yoplait* brand in existing markets and expand to new markets worldwide. We plan to consolidate this business, which will increase our reported sales and operating profit in 2012. We expect the 2012 EPS contribution from Yoplait's operating results will be offset by some incremental amortization expense and by the effect on EPS of our decision to buy back fewer shares this year to pay for this acquisition with cash. Beyond 2012, we anticipate that *Yoplait* will be an important source of earnings growth for General Mills.

In fact, international business expansion is one of our five key growth drivers. The other four are: partnering effectively with our retail and foodservice customers; building our brands through strong levels of consumer marketing; protecting and expanding margins; and generating strong levels of product innovation. Of these, innovation is the most powerful lever: It drives growth for our categories and growth in our sales, earnings and market share. We've got a high level of innovation planned across our businesses in 2012. And our innovation and marketing efforts are focused on four big and growing consumer groups: the millennial generation, ages 17 to 34; the baby boomer generation, ages 50 and over; U.S. multicultural consumers; and rising middle-class consumers in emerging global markets. You can read about many of our product and marketing initiatives in the following pages of this report.

Input Cost Trend
Percent



Includes raw materials, energy, labor expense, carrier rates, and storage and handling

Gross Margin
Percent of net sales



Net sales less cost of sales

Our input cost inflation has averaged 4 to 5 percent over the past five years. With our Holistic Margin Management efforts, we've been able to offset this cost inflation and expand our gross margin over this time.

Leading Market Positions in U.S. Retail Measured Outlets

Category	Fiscal 2011 Category Retail Sales (\$ in millions)	Our Dollar Share %	Our Branded Rank
Ready-to-eat Cereal	6,300	31	2
Refrigerated Yogurt	4,300	31	1
Frozen Vegetables	2,400	18	2
Mexican Aisle Products	1,800	18	1
Grain Snacks	1,800	31	1
Dry Packaged Dinners	1,400	21	2
Ready-to-serve Soup	1,400	36	2
Refrigerated Dough	1,400	70	1
Dessert Mixes	1,300	40	1
Frozen Hot Snacks	1,100	24	2
Fruit Snacks	500	50	1

Source: ACNielsen measured outlets, which represent approximately 60 percent of our U.S. retail sales

We enter 2012 confident that we are positioned for another year of good growth. Our brands hold leading market share positions in large and attractive food categories. Our categories are on-trend with consumer demand for great-tasting, healthy and convenient foods, so these categories are growing in markets all around the world. And our business plans for 2012 include a high level of product news and marketing innovation, designed to fuel growth for our categories and for our brands.

General Mills' performance is the product of our 35,000 talented and dedicated employees around the world, and I want to close this letter with my sincere thanks to General Mills people for all that you do to build our great company. Let me also acknowledge two senior leaders who announced their retirements during 2011. Chris Shea, Executive Vice President, External Relations, and Rick Lund, Vice President, Controller and Principal Accounting Officer, made important and lasting contributions to General Mills, and we thank them very much for their service.

I'd also like to thank you for your investment in General Mills. We appreciate your confidence in our business and its prospects, and we look forward to reporting on our continuing growth.

Kendall J. Powell
Chairman and Chief Executive Officer
August 1, 2011

WE HAVE A PORTFOLIO FOR GLOBAL



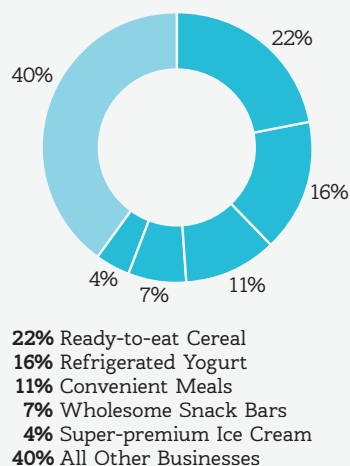
Whether it's a bowl of *Cheerios* in Barcelona, a cup of *Yoplait* yogurt in Columbus or a *Nature Valley* bar in Brisbane, we offer great-tasting, nutritious and convenient foods for consumers around the world.

Our brands are consumer favorites and hold strong share positions in a wide variety of growing food categories. For example, we are a leading player in the \$24 billion global ready-to-eat cereal category. *Häagen-Dazs* is the world's best-selling brand of ice cream. And *Yoplait* is the second-largest brand in the \$65 billion global yogurt category.

We market our brands in a variety of U.S. retail outlets from traditional grocery stores to convenience stores. We also compete in foodservice channels such as restaurants, store bakeries and school cafeterias. Our brands are available internationally in outlets ranging from hypermarkets to *Häagen-Dazs* ice cream shops.

The demand for wholesome, convenient and great-tasting foods is growing around the world. Yet per capita consumption of foods such as cereal and yogurt is still relatively low in many markets. So we see tremendous opportunities to grow our businesses in both developed and emerging markets. Our brands are well-positioned to meet the needs of consumers everywhere, giving us a portfolio for global growth.

General Mills Pro Forma Net Sales*



*Fiscal 2011 U.S. net sales plus fiscal 2011 International net sales at estimated foreign currency translation rates plus fiscal 2012 Yoplait International \$1.2 billion pro forma sales plus fiscal 2011 proportionate share of joint venture revenues.

WITH

OUR FIVE GLOBAL BUSINESSES ARE GROWTH OPPORTUNITIES FOR US



READY-TO-EAT CEREAL

We market cereal through our wholly owned businesses in North America and through Cereal Partners Worldwide, our joint venture with Nestlé.

Pro Forma Net Sales:*
\$3.8 billion



SUPER-PREMIUM ICE CREAM

Our *Häagen-Dazs* brand is sold in more than 80 countries, including China.

Pro Forma Net Sales:*
\$750 million



CONVENIENT MEALS

Old El Paso Mexican foods, *Wanchai Ferry* frozen dim sum and entrées, *Progresso* soup, and *Helper* dinner mixes give consumers great options for a quick and easy meal.

Pro Forma Net Sales:*
\$1.9 billion



WHOLESOME SNACK BARS

Nature Valley and *Cascadian Farm* granola bars, *Fiber One* bars, and *Lärabar* energy bars are nutritious snack choices.

Pro Forma Net Sales:*
\$1.1 billion



REFRIGERATED YOGURT

Our *Yoplait* yogurt brand leads the U.S. yogurt market. As of July 2011, we now market *Yoplait* yogurt internationally in partnership with Sodiaal, a dairy cooperative in France.

Pro Forma Net Sales:*
\$2.8 billion

*See page 85 for discussion of non-GAAP measures.



HEALTH

GROWTH PROSPECTS FOR OUR PRODUCTS AROUND THE WORLD

Today's consumers are looking for foods that provide health and wellness benefits.

Health news is driving growth on many of our largest cereal brands. All Big G cereals contain at least 8 grams of whole grain per serving, making General Mills the leading source of whole grain cereal at breakfast in the U.S. Five flavors of *Chex* cereal are now gluten-free, contributing to 12 percent retail sales growth for the *Chex* franchise in 2011. Retail sales for *MultiGrain Cheerios* rose 8 percent in 2011 on strong weight management messaging. And we launched an 80-calorie version of *Fiber One* cereal this summer. Net sales for Cereal Partners Worldwide, our joint venture with Nestlé, grew 2 percent in 2011 on a constant-currency basis led by brands with health news such as Fitness® and Nesquik® made with whole grains.

Our snack bar business is growing at a healthy clip. *Nature Valley* granola bars are available in nearly 80 countries,

and global net sales for our snack bars increased 11 percent in 2011 in constant currency. In the U.S., retail sales for our *Fiber One* snack bars exceeded \$140 million in measured channels alone. This summer, we added a 90-calorie brownie to the line. And we're launching two new flavors of *Cascadian Farm* organic trail mix bars. *Lärabar* energy bars are made with all natural ingredients—primarily fruit and nuts. Retail sales for this line grew 77 percent in 2011 as we expanded distribution in more retail outlets. And *Wheaties Fuel* bars contributed to 11 percent net sales growth for our products in convenience stores in 2011.

Our yogurt portfolio offers great-tasting, good-for-you options. *Yoplait* Original contains 50 percent of the Daily Value of calcium per serving. That's twice the amount of other yogurts. *Yoplait* Greek competes in the fastest-growing U.S. yogurt segment.



Our Bakeries and Foodservice segment is the leading provider of cereals for school breakfast programs, delivering over 1 million servings of whole grain per day in K-12 schools across the U.S. Our Pillsbury Mini Pancakes and French Toast give foodservice operators a quick and easy way to prepare individual servings of kids' breakfast favorites, and each serving contains 16 grams of whole grain. Studies show that kids who eat breakfast tend to perform better in school, so we expect the number of school breakfast programs will grow in the years ahead.

THY



It has a creamier texture and twice the protein of regular yogurt varieties. In February, we acquired the *Mountain High* brand. This all-natural yogurt is currently distributed in the western U.S. and is a strong addition to our portfolio.

We've made health improvements on many of our product lines. In 2011, we added gluten-free *Bisquick* mix to our 300 gluten-free offerings. We lowered sodium levels in a variety of *Wanchai Ferry* products in China, *Old El Paso* dinner kits in Europe, Australia and Canada, and many *Green Giant* vegetable products in the U.S. And we're reducing sodium and sugar levels in Big G cereals. In the U.S. alone, more than 60 percent of our sales in 2011 came from products with health improvements.

We'll continue to focus on the health profile of our products, delivering more nutritious food options for consumers everywhere.

Global Wholesome Snack Bars Net Sales Growth*

Constant currency, dollars in millions, percent growth

11	11
10	9
09	18
08	26

*U.S. net sales plus International net sales at estimated foreign currency translation rates

Cereal Consumption per Capita

Annual kilograms per person

United Kingdom	6.3
Canada	4.2
Australia	4.1
United States	3.9
Mexico	2.7
France	1.8
Poland	1.2
Russia	0.3
Brazil	0.2
Turkey	0.1
Southeast Asia	0.01

Source: Euromonitor 2010

The world is an emerging market for ready-to-eat cereal. The UK, Canada, Australia and the United States account for 54 percent of cereal consumption, yet they represent just 6 percent of the world's population. We'll bring high levels of product innovation and consumer marketing to help grow cereal around the world.



QUICK

AND CONVENIENT
MEAL SOLUTIONS
FOR CONSUMERS
EVERYWHERE

We help consumers around the world with convenient answers to the question, "What's for dinner?"

Old El Paso dinner kits bring families together around the world for a fun and easy-to-make Mexican meal. This brand is available in more than 60 markets, and constant-currency sales grew 4 percent to nearly \$700 million in fiscal 2011. We continue to develop more convenient, better-for-you options. For example, we added to our *Healthy Fiesta* line in Australia, introduced the reduced-sodium *Smart Fiesta* line in Canada, and recently launched a fish taco kit in Europe.

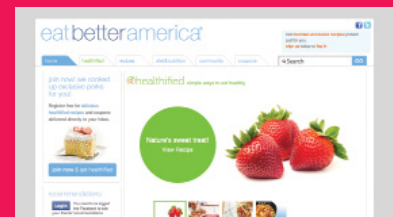
In China, dumplings and dim sum are dinner favorites. Our line of *Wanchai Ferry* frozen dim sum makes them convenient. Last year, we added noodle varieties to the line, contributing to 33 percent sales growth for the brand in China in fiscal 2011. In 2012, we'll

expand this business to Thailand, and we see opportunities for *Wanchai Ferry* in additional countries in Asia.

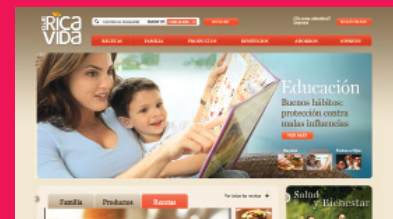
In the U.S., our *Wanchai Ferry* and *Macaroni Grill*® dinners for two compete in the \$1.4 billion frozen entrée category. Retail sales for these restaurant-quality entrées grew at a double-digit pace in 2011, exceeding \$60 million. We have new varieties coming in 2012, including Grilled Chicken Alfredo and Chicken Penne Primavera flavors of *Macaroni Grill*® entrées.

Retail sales for *Progresso* ready-to-serve soup exceeded \$500 million in measured channels alone in fiscal 2011. Watch for new flavors of our Rich & Hearty and traditional soup varieties coming this summer.

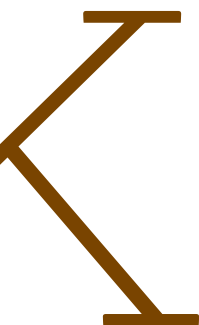
Green Giant vegetables are a nutritious way to round out a meal. In the U.S., our line of *Green Giant Valley Fresh Steamers* makes garden-fresh



EatBetterAmerica.com



QueRicaVida.com



Consumers today look online for meal solutions. Our websites, like Tablespoon.com and EatBetterAmerica.com, provide recipe ideas and money-saving coupons for a variety of products. And we're going one step further, sending consumers coupons directly to their smartphones. On QueRicaVida.com, the website for our Hispanic marketing initiative, recipes are now available through an iPad® application. Our spending on digital marketing initiatives has grown nearly 40 percent over the past three years in the U.S., and we'll continue to develop new marketing tools using this dynamic medium.

vegetables ready in seconds in the microwave. In Europe, *Green Giant* sales are growing at a low single-digit pace as consumers enjoy delicacies such as white asparagus and hearts of palm.

Dinner isn't complete without dessert. Our *Betty Crocker* dessert mixes are available from the U.S. to the UK to Australia and generate more than \$500 million in retail sales in the U.S. alone. In 2012, we're introducing *Betty Crocker Fun da-middles* filled cupcake mixes in the U.S. and a line of scone mixes in Australia.

As disposable incomes rise around the world and consumers lead increasingly busy lifestyles, the demand for quick and easy-to-prepare foods will grow. Our broad portfolio of well-known brands positions us well to leverage this growth in the years ahead.

Old El Paso Global Net Sales Growth*
Constant currency, dollars in millions, percent growth

11	4
10	6
09	10
08	5

Wanchai Ferry Global Net Sales Growth*
Constant currency, dollars in millions, percent growth

11	27
10	56
09	26
08	46

*U.S. net sales plus International net sales at estimated foreign currency translation rates



FAST

FOOD CHOICES IN GROWING, GLOBAL CATEGORIES

Above all else, consumers around the world want foods that taste great.

What could be better than a rich, creamy scoop of Häagen-Dazs ice cream? We market this super-premium ice cream in more than 80 countries outside of North America. Constant-currency sales for the brand grew 7 percent in 2011, and we're introducing more new varieties around the world. In Europe, we launched *Häagen-Dazs Secret Sensations*, a serving of ice cream with a crème brulée or chocolate fondant center. And in Japan, we're introducing Crepe Glacé, creamy Häagen-Dazs ice cream wrapped in a soft crepe. In China, our more than 160 ice cream shops are a big hit with consumers, and sales of mooncakes, an ice cream delicacy available during the annual Mid-Autumn Festival, continue to grow every year. We're bringing Häagen-Dazs to new markets with two shops now open in India, and we recently opened a shop in Cairo.

Delicious baked goods are easy to make with Pillsbury refrigerated dough. In the U.S., category retail sales in measured channels total \$1.4 billion. Crescent rolls led growth for the Pillsbury brand in 2011 with retail sales up 8 percent, due in part to a strong advertising campaign emphasizing their great homemade taste. Pillsbury Sweet Moments bite-sized desserts are ready to eat from the refrigerator case. This summer, we added cheesecake versions to this line.

Pillsbury Egg Scrambles and Grands! Egg Sandwiches are two new breakfast options just arriving in the frozen foods aisle. Egg Scrambles combine eggs, potatoes, ham or sausage with Green Giant vegetables. Grands! Egg Sandwiches offer scrambled eggs, cheese and meat inside a fluffy biscuit. All six varieties of Egg Scrambles and Egg Sandwiches are 300 calories or less per serving.

Our Yoplait Smoothie mixes also are in the frozen section. This blend of yogurt



Yogurt is a nutritious, convenient, low-calorie food that tastes great. So it's no wonder yogurt category sales total \$65 billion worldwide. Mountain High all-natural yogurt is currently available in the western U.S. Yoplait is a leading yogurt brand, available in more than 70 countries. Per capita consumption of yogurt is still quite low in many international markets, and we see plenty of opportunities to bring the great taste of Yoplait to consumers everywhere.

Y



and fresh fruit provides an easy way to make a frozen yogurt drink—just add milk and blend. Try our newest flavor: Chocolate Banana. Our yogurt sales in foodservice channels increased 6 percent in 2011 as we increased distribution in more foodservice outlets. Our *ParfaitPro* yogurt gives cafeterias and restaurants a quick and easy way to make delicious yogurt parfaits.

We also have a great lineup of savory snack products. New *Chex Mix* Gourmet Blends offer culinary-inspired flavor combinations, such as Italian Herb & Parmesan. Retail sales for *Totino's Pizza Rolls* grew 4 percent in 2011 in the \$1.1 billion U.S. hot snacks category as teens enjoy these fast and easy after-school snacks. This summer, we'll introduce *Totino's Pizza Stuffers*, a sandwich-sized version of *Pizza Rolls*, ready in minutes in the microwave.

From sweet to salty, creamy to crunchy, our product portfolio delivers on a variety of taste preferences. We see great opportunities to expand our products to satisfy a whole host of tastes around the world.

Häagen-Dazs Ice Cream Net Sales Growth*

Constant currency, dollars in millions, percent growth

11	7
10	-3
09	2
08	8

*International net sales at estimated foreign currency translation rates; includes our share of joint venture net sales

Yogurt Consumption per Capita

Annual kilograms per person

France	17.8
Ireland	11.5
Canada	9.9
United Kingdom	9.1
Australia	8.5
United States	5.9
Brazil	5.2
Russia	3.7
China	2.3
India	0.3
Indonesia	0.2

Source: Euromonitor 2010

Investing to Fuel Growth

Capital Expenditures

Dollars in millions

11	649
10	650
09	563
08	522
07	460

Advertising and Media Expense

Dollars in millions

11	844
10	909
09	732
08	587
07	491

Research and Development Expense

Dollars in millions

11	235
10	218
09	208
08	205
07	191

Our businesses are strong generators of earnings and cash. We reinvest some of this into research and development, consumer marketing, and capital projects that support growth and cost-savings opportunities we see in our businesses. We occasionally make acquisitions or divestitures to enhance the growth prospects for our business portfolio. And we return significant cash to shareholders through dividends and share repurchase activity.

Product quality and product innovation are the lifeblood of every branded consumer foods company. In 2011, our research and development expense totaled \$235 million. Our investment in research and development has grown steadily over recent years, averaging roughly 1.5 percent of net sales.

We support our consumer brands with strong levels of advertising investment. Advertising and media expense in 2011 totaled \$844 million worldwide. That's up more than 70 percent from our investment level just four years ago. Television advertising still represents the largest share of our advertising

budget, but our investments in new digital media, and in vehicles targeted to U.S. multicultural consumers are growing at the fastest rates.

Capital expenditures in 2011 totaled \$649 million, or just over 4 percent of net sales. These capital projects included new capacity for fast-growing businesses such as grain snack bars and yogurt, along with various cost-savings projects companywide.

We enhanced our business portfolio in 2011 with several acquisitions and divestitures. We added the *Mountain High* brand of all-natural yogurt to our U.S. yogurt business. In Australia, we added *Pasta Master* refrigerated lasagna to our chilled pasta business. We also divested a frozen baked goods line in Australia, and a small pie shell product line that was part of our Bakeries and Foodservice segment. And during the fourth quarter of 2011, we announced a definitive agreement to purchase a controlling interest in the international *Yoplait* business. We completed this transaction on July 1, 2011.

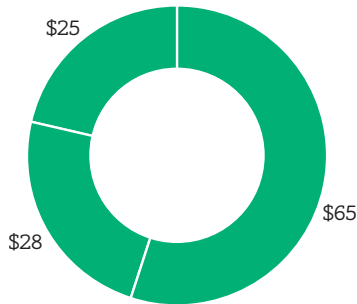
Beyond these initiatives to support ongoing growth of our business, we returned roughly \$1.9 billion to shareholders in 2011 through dividends and repurchase of General Mills common stock. Shareholder dividends grew 17 percent in 2011, and have increased by more than 50 percent since 2007. In June, we announced a further 9 percent increase in the dividend, to a new annualized rate of \$1.22 per share.

Our share repurchases reduced average diluted shares outstanding by nearly 3 percent in 2011. And since 2007, we have reduced the average diluted share count by an average of 2 percent per year. We expect our share repurchase activity to be lower in 2012, as we will use cash to pay for the *Yoplait* transaction. However, we plan to repurchase at least enough shares to offset the impact of stock option exercises in 2012. And the goal of our ongoing share repurchase program remains an average annual net reduction in diluted shares outstanding of 2 percent.

Our Corporate Citizenship: Think Global, Act Local

Fiscal 2011 General Mills Contributions

Dollars in millions



\$118 Million

\$65 Corporate Contributions
\$28 Product Donations
\$25 Foundation Grants



From Minneapolis to Mumbai, our employees everywhere participate in our “Think Global, Volunteer Local” initiative, helping to improve communities through their volunteering efforts.

Through our corporate citizenship initiatives, we work to make the world a better place. Our efforts include direct philanthropy, brand philanthropy and volunteering around the world.

As a food company, we’re uniquely positioned to help in the battle against hunger. In 2011, we contributed \$28 million in product donations to Feeding America®, the nation’s largest network of food banks, and other hunger relief agencies. We also began contributing to the Global Food Banking Network, a nonprofit organization dedicated to creating, supplying and strengthening food bank networks around the world. Our goal is to alleviate hunger and improve nutritional wellness in communities where General Mills does business.

We’re also improving communities through foundation grants. Our *Champions for Healthy Kids* program is now in its 10th year of providing grants to organizations that promote and support healthy lifestyles for kids. In total, we’ve contributed more than \$19 million to youth nutrition and fitness programs that have involved

nearly 5 million children across the U.S. Our *Box Tops for Education* program also supports kids’ well-being and education. Since its inception in 1996, this program has contributed more than \$400 million to K-8 schools in the U.S.

Our efforts have international reach, too. Through Partners in Food Solutions, our employees are partnering with food processors in Africa to produce high-quality, nutritious and affordable foods to help sustain communities. And in India, the General Mills Foundation has provided more than \$100,000 in grants to promote better health and nutrition and improved education in rural villages outside of Mumbai.

It’s our people who make all of our philanthropic efforts successful. More than 80 percent of our U.S. employees volunteer in their communities. Through our “Think Global, Volunteer Local” initiative, we’ve marshaled the efforts of our employees around the world to make a difference where they live and work. That’s a philosophy we embrace as individuals, and as a company, as we strive to make the world a better place for all.

Sustainable business practices are critical to protecting and improving our environment. We have a wide variety of initiatives—from water conservation to agricultural practices—designed to protect our natural resources and decrease our environmental impact. Read about these initiatives and more in our 2011 Corporate Social Responsibility Report and Summary Report available on CSR.GeneralMills.com.

Board of Directors

(as of August 1, 2011)

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Retired Chief Executive Officer and Vice Chairman, Best Buy Co., Inc. (electronics retailer)

R. Kerry Clark^{1,2}

Retired Chairman and Chief Executive Officer, Cardinal Health, Inc. (medical services and supplies)

Paul Danos^{1,5}

Dean, Tuck School of Business and Laurence F. Whittemore Professor of Business Administration, Dartmouth College

William T. Esrey^{1,3*}

Chairman of the Board, Spectra Energy Corp. (natural gas infrastructure provider) and Chairman Emeritus, Sprint Nextel Corporation (telecommunications systems)

Raymond V. Gilmartin^{2,4*}

Adjunct Professor, Harvard Business School and Retired Chairman, President and Chief Executive Officer, Merck & Company, Inc. (pharmaceuticals)

Judith Richards Hope^{1*,5}

Distinguished Visitor from Practice and Professor of Law, Georgetown University Law Center

Heidi G. Miller^{3,5}

President, JPMorgan International, JPMorgan Chase & Co. (banking and financial services)

Hilda Ochoa-Brillembourg^{3,5}

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Adjunct Professor, Florida Atlantic University School of Business and Former Chairman of the Board and Chief Executive Officer, Office Depot, Inc. (office products retailer)

Kendall J. Powell

Chairman of the Board and Chief Executive Officer, General Mills, Inc.

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Chairman of the Board, First Horizon National Corporation (banking and financial services)

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Retired Senior Vice President and Chief Financial Officer, Medtronic, Inc. (medical technology)

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Managing Director, FirstCap Advisors (venture capital)

Board Committees

¹ Audit

² Compensation

³ Finance

⁴ Corporate Governance

⁵ Public Responsibility

* Denotes Committee Chair

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(as of August 1, 2011)

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Senior Vice President; Chief Marketing Officer

Samir Behl

Vice President; President, Asia/Pacific Region

Y. Marc Belton

Executive Vice President, Global Strategy, Growth and Marketing Innovation

Richard L. Best

Senior Vice President, Global Business Solutions

Peter J. Capell

Senior Vice President, International Wholesome Snacks Strategic Business Unit

Gary Chu

Senior Vice President; President, Greater China

Juliana L. Chugg

Senior Vice President; President, Meals

John R. Church

Senior Vice President, Supply Chain

Michael L. Davis

Senior Vice President, Global Human Resources

David E. Dudick Sr.

Senior Vice President; President, U.S. Channels Sales

Peter C. Erickson

Senior Vice President, Innovation, Technology and Quality

Ian R. Friendly

Executive Vice President; Chief Operating Officer, U.S. Retail

Jeffrey L. Harming

Senior Vice President; President, Big G Cereals

David P. Homer

Senior Vice President; President, General Mills Canada

John T. Machuzick

Senior Vice President; President, Bakeries and Foodservice

Luis Gabriel Merizalde

Vice President; President, Europe, Middle East and Africa

Michele S. Meyer

Vice President; President, Small Planet Foods

Donal L. Mulligan

Executive Vice President; Chief Financial Officer

James H. Murphy

Senior Vice President, Global Strategy and Growth

Kimberly A. Nelson

Senior Vice President, External Relations; President, General Mills Foundation

Jonathon J. Nudi

Vice President; President, Snacks

Rebecca L. O'Grady

Vice President; President, Yoplait

Shawn P. O'Grady

Senior Vice President; President, Consumer Foods Sales

Christopher D. O'Leary

Executive Vice President; Chief Operating Officer, International

Roderick A. Palmore

Executive Vice President; General Counsel; Chief Compliance and Risk Management Officer and Secretary

Kendall J. Powell

Chairman of the Board and Chief Executive Officer

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Senior Vice President; President, Pillsbury USA

Christi L. Strauss

Senior Vice President; Chief Executive Officer, Cereal Partners Worldwide

Anton V. Vincent

Vice President; President, Baking Products

Sean N. Walker

Vice President; President, Latin America and South Africa

Keith A. Woodward

Senior Vice President, Financial Operations

Jerald A. Young*

Vice President; Controller

Michael P. Zechmeister

Vice President; Treasurer

*Effective August 15, 2011

Financial Review

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Financial Summary

At the beginning of fiscal 2011, we revised the classification of certain revenues and expenses to better align our income statement line items with how we manage our business. We have revised the classification of amounts previously reported to conform to our fiscal 2011 presentation. These revised classifications had no effect on previously reported net earnings attributable to General Mills or earnings per share. See [Note 1](#) to the Consolidated Financial Statements in this report for further details of the reclassifications. The following table sets forth selected financial data for each of the fiscal years in the five-year period ended May 29, 2011:

In Millions, Except Per Share Data, Percentages and Ratios	Fiscal Year				
	2011	2010	2009 ^(a)	2008	2007
Operating data:					
Net sales	\$ 14,880.2	\$ 14,635.6	\$ 14,555.8	\$ 13,548.0	\$ 12,303.9
Gross margin ^(b)	5,953.5	5,800.2	5,174.9	4,816.2	4,412.7
Selling, general, and administrative expenses	3,192.0	3,162.7	2,893.2	2,566.0	2,314.5
Segment operating profit ^(c)	2,945.6	2,840.5	2,624.2	2,394.4	2,273.0
Divestitures (gain)	(17.4)	—	(84.9)	—	—
After-tax earnings from joint ventures	96.4	101.7	91.9	110.8	72.7
Net earnings attributable to General Mills	1,798.3	1,530.5	1,304.4	1,294.7	1,143.9
Depreciation and amortization	472.6	457.1	453.6	459.2	417.8
Advertising and media expense	843.7	908.5	732.1	587.2	491.4
Research and development expense	235.0	218.3	208.2	204.7	191.1
Average shares outstanding:					
Basic	642.7	659.6	663.7	665.9	693.1
Diluted	664.8	683.3	687.1	693.8	720.4
Earnings per share:					
Basic	\$ 2.80	\$ 2.32	\$ 1.96	\$ 1.93	\$ 1.65
Diluted	\$ 2.70	\$ 2.24	\$ 1.90	\$ 1.85	\$ 1.59
Diluted, excluding certain items affecting comparability ^(c)	\$ 2.48	\$ 2.30	\$ 1.99	\$ 1.76	\$ 1.59
Operating ratios:					
Gross margin as a percentage of net sales	40.0%	39.6%	35.6%	35.5%	35.9%
Selling, general, and administrative expenses as a percentage of net sales	21.5%	21.6%	19.9%	18.9%	18.8%
Segment operating profit as a percentage of net sales ^(c)	19.8%	19.4%	18.0%	17.7%	18.5%
Effective income tax rate	29.7%	35.0%	37.1%	34.0%	33.0%
Return on average total capital ^{(b)(c)}	13.7%	13.8%	12.3%	11.7%	11.0%
Balance sheet data:					
Land, buildings, and equipment	\$ 3,345.9	\$ 3,127.7	\$ 3,034.9	\$ 3,108.1	\$ 3,013.9
Total assets	18,674.5	17,678.9	17,874.8	19,041.6	18,183.7
Long-term debt, excluding current portion	5,542.5	5,268.5	5,754.8	4,348.7	3,217.7
Total debt ^(b)	6,885.1	6,425.9	7,075.5	6,999.5	6,206.1
Noncontrolling interests	246.7	245.1	244.2	246.6	1,139.2
Stockholders' equity	6,365.5	5,402.9	5,172.3	6,212.2	5,318.7
Cash flow data:					
Net cash provided by operating activities	\$ 1,526.8	\$ 2,181.2	\$ 1,828.2	\$ 1,729.9	\$ 1,751.2
Capital expenditures	648.8	649.9	562.6	522.0	460.2
Net cash used by investing activities	715.1	721.2	288.9	442.4	597.1
Net cash used by financing activities	936.6	1,503.8	1,404.5	1,093.0	1,398.1
Fixed charge coverage ratio	7.03	6.42	5.33	4.91	4.51
Operating cash flow to debt ratio ^(b)	22.2%	33.9%	25.8%	24.7%	28.2%
Share data:					
Low stock price	\$ 33.57	\$ 25.59	\$ 23.61	\$ 25.72	\$ 24.64
High stock price	39.95	36.96	35.08	31.25	30.56
Closing stock price	39.29	35.62	25.59	30.54	30.08
Cash dividends per common share	1.12	0.96	0.86	0.78	0.72
Number of full- and part-time employees	35,000	33,000	30,000	29,500	28,580

(a) Fiscal 2009 was a 53-week year; all other fiscal years were 52 weeks.

(b) See Glossary on [page 83](#) of this report for definition.

(c) See [page 85](#) of this report for our discussion of this measure not defined by generally accepted accounting principles.

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

EXECUTIVE OVERVIEW

We are a global consumer foods company. We develop distinctive value-added food products and market them under unique brand names. We work continuously to improve our established products and to create new products that meet consumers' evolving needs and preferences. In addition, we build the equity of our brands over time with strong consumer-directed marketing and innovative merchandising. We believe our brand-building strategy is the key to winning and sustaining leading share positions in markets around the globe.

Our fundamental business goal is to generate superior returns for our stockholders over the long term. We believe that increases in net sales, segment operating profit, earnings per share (EPS), and return on average total capital are the key measures of financial performance for our businesses. See the "Non-GAAP Measures" section on page 85 for a description of our discussion of total segment operating profit, diluted EPS excluding certain items affecting comparability and return on average total capital, which are not defined by generally accepted accounting principles (GAAP).

Our objectives are to consistently deliver:

- low single-digit annual growth in net sales;
- mid single-digit annual growth in total segment operating profit;
- high single-digit annual growth in EPS; and
- improvements in return on average total capital.

We believe that this financial performance, coupled with an attractive dividend yield, should result in long-term value creation for stockholders. We also return a substantial amount of cash to stockholders through share repurchases and dividends.

For the fiscal year ended May 29, 2011, our net sales grew 2 percent, total segment operating profit grew 4 percent and diluted EPS grew 20 percent, however our return on average total capital declined by 10 basis points despite these positive earnings metrics. Diluted EPS excluding certain items affecting comparability increased 8 percent from fiscal 2010 (see the "Non-GAAP Measures" section on page 85 for our use of this measure and our discussion of the items affecting comparability). Net cash provided by operations totaled \$1.5 billion in fiscal 2011, enabling us to increase our annual dividend payments per share by 17 percent from fiscal 2010 and continue returning cash to stockholders through share repurchases, which totaled \$1.2 billion in fiscal 2011. We also made significant capital investments totaling \$649 million in fiscal 2011.

We achieved the following related to our six key operating objectives for fiscal 2011:

- Net sales growth of 2 percent was primarily driven by volume gains in our International segment and net price realization and mix.
- We achieved a 4 percent increase in total segment operating profit despite renewed input cost inflation.
- Our gross margin as a percent of net sales was comparable to fiscal 2010. We took pricing actions on most of our product lines in fiscal 2011 to partially offset the increases in input costs. In addition, we continued to focus on the other elements of our holistic margin management (HMM) program, which include cost-savings initiatives, marketing spending efficiencies, and profitable sales mix strategies.
- We continued to invest in media and other brand-building marketing programs. However, our total media and advertising spending decreased from fiscal 2010 levels, which increased 24 percent versus fiscal 2009.
- We grew our Bakeries and Foodservice segment operating profit, including a focus on higher-margin, branded product lines within our most attractive foodservice customer channels.
- We continued to grow our business in international markets. We focused on our core platforms of ready-to-eat cereal, super-premium ice cream, convenient meal solutions, and healthy snacking by introducing new products and investing to drive sales growth.

Details of our financial results are provided in the "Fiscal 2011 Consolidated Results of Operations" section below.

We expect slow improvement in the operating environment for food companies around the globe. Although we believe the environment will remain challenging in fiscal 2012, we expect to deliver another year of quality growth. Excluding the effects of our acquisition of interests in Yoplait S.A.S. and Yoplait Marques S.A.S., we expect to achieve these results:

- We are targeting mid single-digit growth in net sales primarily driven by net price realization, as our plans assume a modest decline in pound volume.
- We have a strong lineup of consumer marketing, merchandising, and innovation planned to support our leading brands. We will continue to build our global platforms in markets around the world, accelerating our efforts in rapidly growing emerging markets.
- We are targeting low single-digit growth in total segment operating profit in fiscal 2012, as we expect our HMM discipline of cost savings, mix management and

price realization to largely offset an expected 10 to 11 percent increase in input costs.

Our businesses generate strong levels of cash flows. We use some of this cash to reinvest in our business. Our fiscal 2012 plans call for \$670 million of expenditures for capital projects, excluding expenditures that may be required for Yoplait S.A.S. On June 28, 2011, our Board of Directors approved a dividend increase to an annual rate of \$1.22 per share, a 9 percent increase from the rate paid in fiscal 2011.

As a result of the acquisition of interests in Yoplait entities, we expect to reduce our level of share repurchases in fiscal 2012. We expect that share repurchases will offset normal levels of stock option exercises in fiscal 2012.

Certain terms used throughout this report are defined in a [glossary](#) on page 83 of this report.

FISCAL 2011 CONSOLIDATED RESULTS OF OPERATIONS

In fiscal 2011, **net earnings attributable to General Mills** was \$1,798 million, up 18 percent from \$1,530 million in fiscal 2010, and we reported **diluted EPS** of \$2.70 in fiscal 2011, up 20 percent from \$2.24 in fiscal 2010. Fiscal 2011 results include gains from the mark-to-market valuation of certain commodity positions and grain inventories versus fiscal 2010 which included losses. Fiscal 2011 results also include the net benefit from the resolution of uncertain tax matters, and fiscal 2010 results include income tax expense related to the enactment of federal health care reform. Diluted EPS excluding these items affecting comparability was \$2.48 in fiscal 2011, up 8 percent from \$2.30 in fiscal 2010 (see the “Non-GAAP Measures” section on page 85 for our use of this measure and our discussion of the items affecting comparability).

The components of net sales growth are shown in the following table:

Components of Net Sales Growth

	Fiscal 2011 vs. 2010
Contributions from volume growth ^(a)	1 pt
Net price realization and mix	1 pt
Foreign currency exchange	Flat
Net sales growth	2 pts

(a) Measured in tons based on the stated weight of our product shipments.

Net sales grew 2 percent in fiscal 2011, due to 1 percentage point of volume growth and 1 percentage point of growth from net price realization and mix. Foreign exchange was flat compared to fiscal 2010.

Cost of sales increased \$91 million in fiscal 2011 to \$8,927 million. This increase was driven by \$157 million higher net input costs and product mix and an \$84 million increase attributable to higher volume, partially offset by a \$95 million net decrease in cost of sales related to mark-to-market valuation of certain commodity positions and grain inventories as described in Note 7 to the Consolidated Financial Statements on page 57 of this report, compared to a net increase of \$7 million in fiscal 2010. In fiscal 2010, we recorded a charge of \$48 million resulting from a change in the capitalization threshold for certain equipment parts.

Gross margin grew 3 percent in fiscal 2011 versus fiscal 2010. Gross margin as a percent of net sales increased by 40 basis points from fiscal 2010 to fiscal 2011. These improvements were primarily driven by gains from the mark-to-market valuation of certain commodity positions and grain inventories in fiscal 2011 versus losses in fiscal 2010.

Selling, general and administrative (SG&A) expenses were up \$29 million in fiscal 2011 versus fiscal 2010, while SG&A expenses as a percent of net sales remained essentially flat from fiscal 2010 to fiscal 2011. The increase in SG&A expenses was primarily driven by a \$69 million increase in corporate pension expense partially offset by a 7 percent decrease in advertising and media expense. In fiscal 2010, the Venezuelan government devalued the bolivar fuerte exchange rate against the U.S. dollar. The \$14 million foreign exchange loss resulting from the devaluation was substantially offset by a \$13 million recovery against a corporate investment.

During fiscal 2011, we recorded a **net divestiture gain** of \$17 million. We recorded a gain of \$14 million related to the sale of a foodservice frozen baked goods product line in our International segment and a gain of \$3 million related to the sale of a pie shell product line in our Bakeries and Foodservice segment. There were no divestitures in fiscal 2010.

Interest, net for fiscal 2011 totaled \$346 million, \$55 million lower than fiscal 2010. The average interest rate on our total outstanding debt was 5.6 percent in fiscal 2011 compared to 6.3 percent in fiscal 2010, generating a \$45 million decrease in net interest. Average interest bearing instruments increased \$474 million in fiscal 2011, primarily due to more share repurchases than in fiscal 2010, leading to a \$30 million increase in net interest. In fiscal 2010, we also recorded a loss of \$40 million related to the repurchase of certain notes, which represented the premium paid, the write-off of remaining

discount and unamortized fees, and the settlement of related swaps.

Restructuring, impairment, and other exit costs totaled \$4 million in fiscal 2011 as follows:

Expense, in Millions	
Discontinuation of underperforming product line in our U.S. Retail segment	\$1.7
Charges associated with restructuring actions previously announced	2.7
Total	\$4.4

In fiscal 2011, we decided to exit an underperforming product line in our U.S. Retail segment. As a result of this decision, we concluded that the future cash flows generated by this product line were insufficient to recover the net book value of the associated long-lived assets. Accordingly, we recorded a non-cash charge of \$2 million related to the impairment of the associated long-lived assets. No employees were affected by these actions. In addition, we recorded \$3 million of charges associated with restructuring actions previously announced. In fiscal 2011, we paid \$6 million in cash related to restructuring actions taken in fiscal 2011 and previous years.

Our consolidated **effective tax rate** for fiscal 2011 was 29.7 percent compared to 35.0 percent in fiscal 2010. The 5.3 percentage point decrease was primarily due to a \$100 million reduction to tax expense recorded in fiscal 2011 related to a settlement with the Internal Revenue Service (IRS) concerning corporate income tax adjustments for fiscal years 2002 to 2008. The adjustments primarily relate to the amount of capital loss, depreciation, and amortization we reported as a result of the sale of noncontrolling interests in our General Mills Cereals, LLC (GMC) subsidiary. Fiscal 2010 income tax expense included a \$35 million increase related to the enactment of federal health care reform (the Patient Protection and Affordable Care Act, as amended by Health Care and Education Reconciliation Act of 2010). This legislation changed the tax treatment of subsidies to companies that provide prescription drug benefits that are at least the equivalent of benefits under Medicare Part D (see the "Impact of Inflation" section below for additional discussion of this legislation).

After-tax earnings from joint ventures for fiscal 2011 decreased to \$96 million compared to \$102 million in fiscal 2010. The decrease is primarily due to higher advertising and media spending and increased service cost

allocations, all in CPW. In fiscal 2011, CPW net sales grew by 3 percent due to a 2 percentage point increase in volume and a 1 percentage point increase from favorable foreign exchange. Net price realization and mix was flat compared to fiscal 2010. Net sales for HDJ increased 4 percent from fiscal 2010 primarily due to 9 percentage points of favorable foreign exchange, partially offset by a 5 percentage point decline in net price realization and mix. Volume was flat compared to fiscal 2010.

Average diluted shares outstanding decreased by 18 million in fiscal 2011 from fiscal 2010, due primarily to the repurchase of 32 million shares since the end of fiscal 2010, partially offset by the issuance of shares upon stock option exercises.

FISCAL 2011 CONSOLIDATED BALANCE SHEET ANALYSIS

Cash and cash equivalents decreased \$54 million from fiscal 2010, as discussed in the "Liquidity" section on page 29.

Receivables increased \$121 million from fiscal 2010 as a result of foreign currency translation effects of \$44 million and sales timing shifts. The allowance for doubtful accounts was essentially unchanged from fiscal 2010.

Inventories increased \$265 million from fiscal 2010 primarily as a result of increased commodity prices.

Prepaid expenses and other current assets increased \$105 million from fiscal 2010, due mainly to increases in derivatives receivable balances.

Land, buildings, and equipment increased \$218 million from fiscal 2010, as capital expenditures of \$649 million and a foreign currency translation impact of \$55 million were partially offset by depreciation expense of \$462 million in fiscal 2011.

Goodwill and other intangible assets increased \$256 million from fiscal 2010 primarily due to foreign currency translation of \$148 million and the acquisitions of the *Mountain High* yoghurt business and the *Pasta Master* meals business. We recorded \$72 million of goodwill and \$45 million of other intangible assets related to these transactions.

Other assets increased \$99 million from fiscal 2010, driven mainly by a \$126 million increase in our prepaid pension assets and a \$121 million increase in our investment and advances to joint ventures, partially offset by a decrease of \$117 million in non-current interest rate derivatives receivable.

Accounts payable increased \$146 million to \$995 million in fiscal 2011, primarily due to shifts in timing of payments.

Long-term debt, including **current portion**, and **notes payable** increased \$459 million from fiscal 2010 primarily due to the issuance of \$1.2 billion of long-term debt in fiscal 2011, partially offset by a \$739 million decrease in notes payable.

The current and non-current portions of net **deferred income taxes liability** increased \$268 million from fiscal 2010 due to contributions to our defined benefit pension plans and book versus tax depreciation differences.

Other current liabilities decreased \$441 million from fiscal 2010, primarily driven by decreases in accrued taxes of \$360 million and a \$136 million decrease in consumer marketing accruals.

Other liabilities decreased \$386 million from fiscal 2010, driven by a decrease of \$175 million in pension and postretirement liabilities, a decrease of \$158 million in non-current derivatives payable, and a decrease of \$43 million in non-current accrued taxes payable.

Retained earnings increased \$1,069 million from fiscal 2010, reflecting fiscal 2011 net earnings of \$1,798 million less dividends paid of \$729 million. **Treasury stock** increased \$595 million from fiscal 2010, due to \$1,164 million of share repurchases, partially offset by \$568 million related to stock-based compensation plans. **Additional paid in capital** increased \$13 million from fiscal 2010, due to stock compensation plan activity. **Accumulated other comprehensive loss (AOCI)** decreased by \$476 million after-tax from fiscal 2010, primarily driven by foreign currency translation of \$358 million and pension and postemployment activity of \$128 million.

FISCAL 2010 CONSOLIDATED RESULTS OF OPERATIONS

Net earnings attributable to General Mills were \$1,530 million in fiscal 2010, up 17 percent from \$1,304 million in fiscal 2009, and we reported **diluted EPS** of \$2.24 in fiscal 2010, up 18 percent from \$1.90 in fiscal 2009. Fiscal 2010 and 2009 results include losses from the mark-to-market valuation of certain commodity positions and grain inventories. Fiscal 2010 results also include income tax expense related to the enactment of federal health care reform, and the fiscal 2009 results include a net divestiture gain, income from a settlement with an insurance carrier, and the impact of a court decision on an uncertain tax matter. Diluted EPS excluding

these items affecting comparability was \$2.30 in fiscal 2010, up 16 percent from \$1.99 in fiscal 2009 (see the “Non-GAAP Measures” section on page 85 for our use of this measure and our discussion of the items affecting comparability).

The components of net sales growth are shown in the following table:

Components of Net Sales Growth

	Fiscal 2010 vs. 2009
Contributions from volume growth ^(a)	Flat
Net price realization and mix	1 pt
Foreign currency exchange	Flat
Net sales growth	1 pt

(a) Measured in tons based on the stated weight of our product shipments.

Net sales grew 1 point in fiscal 2010, driven by 1 percentage point of growth from net price realization and mix. Contributions from volume were flat, including the loss of 2 points of growth from divested products and a 1 percentage point loss from an additional week in fiscal 2009. Foreign exchange did not affect sales growth in fiscal 2010.

Cost of sales decreased \$546 million in fiscal 2010 to \$8,835 million. This decrease was mainly driven by favorable mix, HMM initiatives, and lower input costs. In fiscal 2010, we recorded a \$7 million net increase in cost of sales related to mark-to-market valuation of certain commodity positions and grain inventories as described in Note 7 to the Consolidated Financial Statements on page 57 of this report, compared to a net increase of \$119 million in fiscal 2009. In fiscal 2010, we recorded a charge of \$48 million resulting from a change in the capitalization threshold for certain equipment parts, enabled by an upgrade to our parts management system.

Gross margin grew 12 percent in fiscal 2010 versus fiscal 2009. Gross margin as a percent of net sales increased by 400 basis points from fiscal 2009 to fiscal 2010. These improvements were driven by favorable mix, HMM initiatives and lower input costs.

Selling, general and administrative (SG&A) expenses were up \$270 million in fiscal 2010 versus fiscal 2009. SG&A expenses as a percent of net sales in fiscal 2010 increased by 2 percentage points compared to fiscal 2009. The increase in SG&A expenses was primarily driven by a 24 percent increase in advertising and media expense. In fiscal 2010, the Venezuelan government devalued the bolivar fuerte exchange rate against the

U.S. dollar. The effect of the devaluation was a \$14 million foreign exchange loss. Also in fiscal 2010, we recorded a \$13 million recovery against a corporate investment compared to write downs of \$35 million related to various corporate investments in fiscal 2009. In fiscal 2009, we recorded a \$41 million gain from a settlement with the insurance carrier covering the loss of our *La Salteña* pasta manufacturing facility in Argentina, which was destroyed by fire in fiscal 2008.

There were no divestitures in fiscal 2010. In fiscal 2009, we recorded a **net divestiture gain** of \$129 million related to the sale of our *Pop-Secret* product line from our U.S. Retail segment for \$192 million in cash. Also in fiscal 2009, we recorded a \$38 million loss on the sale of a portion of the assets of our frozen unbaked bread dough product line in our Bakeries and Foodservice segment, including the discontinuation of our frozen dinner roll product line in our U.S. Retail segment that shared a divested facility. In addition, we recorded a \$6 million loss in fiscal 2009 on the sale of our bread concentrates product line in our Bakeries and Foodservice segment.

Interest, net for fiscal 2010 totaled \$402 million, \$19 million higher than fiscal 2009. Average interest-bearing instruments decreased \$1.0 billion in fiscal 2010, leading to a \$58 million decrease in net interest, while average interest rates increased 60 basis points generating a \$37 million increase in net interest. The average interest rate on our total outstanding debt was 6.3 percent in fiscal 2010 compared to 5.7 percent in fiscal 2009. In fiscal 2010, we also recorded a loss of \$40 million related to the repurchase of certain notes, which represented the premium paid, the write-off of remaining discount and unamortized fees, and the settlement of related swaps.

Restructuring, impairment, and other exit costs totaled \$31 million in fiscal 2010 as follows:

Expense (Income), in Millions

Discontinuation of kids' refrigerated yogurt beverage and microwave soup product lines	\$24.1
Discontinuation of the breadcrumbs product line at Federalsburg, Maryland plant	6.2
Sale of Contagem, Brazil bread and pasta plant	(0.6)
Charges associated with restructuring actions previously announced	1.7
Total	\$31.4

In fiscal 2010, we decided to exit our kids' refrigerated yogurt beverage product line at our Murfreesboro, Tennessee plant and our microwave soup product line

at our Vineland, New Jersey plant to rationalize capacity for more profitable items. Our decisions to exit these U.S. Retail segment products resulted in a \$24 million non-cash charge against the related long-lived assets. No employees were affected by these actions. We recognized \$2 million of other exit costs and completed these actions in fiscal 2011. We also decided to exit our breadcrumb product line at our Federalsburg, Maryland plant in our Bakeries and Foodservice segment. As a result of this decision, we concluded that the future cash flows generated by these products were insufficient to recover the net book value of the associated long-lived assets. Accordingly, we recorded a non-cash charge of \$6 million primarily related to the impairment of these long-lived assets and in the fourth quarter of fiscal 2010, we sold our manufacturing facility in Federalsburg for \$3 million. In fiscal 2010, we also recorded a \$1 million net gain on the sale of our previously closed Contagem, Brazil bread and pasta plant for cash proceeds of \$6 million, and recorded \$2 million of costs related to previously announced restructuring actions. In fiscal 2010, we paid \$8 million in cash related to restructuring actions taken in fiscal 2010 and previous years.

Our consolidated **effective tax rate** for fiscal 2010 was 35.0 percent compared to 37.1 percent in fiscal 2009. The 2.1 percentage point decrease primarily reflects an unfavorable court decision in fiscal 2009 on an uncertain tax matter, which increased fiscal 2009 income tax expense by \$53 million. In addition, fiscal 2009 included \$15 million of tax expense related to nondeductible goodwill write-offs associated with divestitures. Fiscal 2010 income tax expense included a \$35 million increase related to the enactment of federal health care reform. This legislation changed the tax treatment of subsidies to companies that provide prescription drug benefits that are at least the equivalent of benefits under Medicare Part D (see the "Impact of Inflation" section below for additional discussion of this legislation). The fiscal 2010 tax rate also included increased benefits from the domestic manufacturing deduction.

After-tax earnings from joint ventures for fiscal 2010 increased to \$102 million compared to \$92 million in the same period in fiscal 2009. In fiscal 2010, net sales for CPW grew 6 percent, due to 4 percentage points of growth from net price realization and mix, 1 percentage point from favorable foreign exchange and a 1 percentage point increase in volume, including growth in Russia, Southeast Asia, the Middle East and Latin America. Net sales for HDJ decreased 4 percent, due primarily to an 11

percentage point decline in volume, partially offset by favorable foreign exchange.

Average diluted shares outstanding decreased by 4 million in fiscal 2010 from fiscal 2009, due primarily to the timing of share repurchases including the repurchase of 21 million shares since the end of fiscal 2009, partially offset by the issuance of shares upon stock option exercises.

RESULTS OF SEGMENT OPERATIONS

Our businesses are organized into three operating segments: U.S. Retail; International; and Bakeries and Foodservice.

The following tables provide the dollar amount and percentage of net sales and operating profit from each segment for fiscal years 2011, 2010, and 2009:

Net Sales

In Millions	Fiscal Year					
	2011		2010		2009	
	Dollars	Percent of Total	Dollars	Percent of Total	Dollars	Percent of Total
U.S. Retail	\$10,163.9	69%	\$10,209.8	70%	\$9,973.6	68%
International	2,875.5	19	2,684.9	18	2,571.8	18
Bakeries and Foodservice	1,840.8	12	1,740.9	12	2,010.4	14
Total	\$14,880.2	100%	\$14,635.6	100%	\$14,555.8	100%

Segment Operating Profit

U.S. Retail	\$2,347.9	80%	\$2,385.2	84%	\$2,206.6	84%
International	291.4	10	192.1	7	239.2	9
Bakeries and Foodservice	306.3	10	263.2	9	178.4	7
Total	\$2,945.6	100%	\$2,840.5	100%	\$2,624.2	100%

Segment operating profit excludes unallocated corporate items, gain on divestitures, and restructuring, impairment, and other exit costs because these items affecting operating profit are centrally managed at the corporate level and are excluded from the measure of segment profitability reviewed by our executive management.

U.S. Retail Segment Our U.S. Retail segment reflects business with a wide variety of grocery stores, mass merchandisers, membership stores, natural food chains, and drug, dollar and discount chains operating throughout the United States. Our major product categories in this business segment are ready-to-eat cereals, refrigerated yogurt, ready-to-serve soup, dry dinners, shelf stable and frozen vegetables, refrigerated and frozen dough products, dessert and baking mixes, frozen pizza and pizza snacks, grain, fruit and savory snacks, and a wide variety of organic products including soup, granola bars, and cereal.

Components of net sales growth are shown in the following table:

Components of U.S. Retail Net Sales Growth

	Fiscal 2011 vs. 2010	Fiscal 2010 vs. 2009
Contributions from volume growth ^(a)	Flat	1 pt
Net price realization and mix	Flat	1 pt
Net sales growth	Flat	2 pts

(a) Measured in tons based on the stated weight of our product shipments.

In fiscal 2011, net sales for our U.S. Retail segment were \$10.2 billion, flat compared to fiscal 2010. Volume on a tonnage basis and net price realization and mix were both flat compared to fiscal 2011.

Net sales for this segment totaled \$10.2 billion in fiscal 2010 and \$10.0 billion in fiscal 2009. Net price realization and mix added 1 percentage point of growth and volume on a tonnage basis contributed 1 percentage point of growth including a loss of 2 percentage points from an additional week in fiscal 2009.

Net sales for our U.S. retail divisions are shown in the tables below:

U.S. Retail Net Sales by Division

In Millions	Fiscal Year		
	2011	2010	2009
Big G	\$2,293.6	\$2,351.3	\$2,231.9
Meals	2,131.8	2,146.0	2,139.6
Pillsbury	1,823.9	1,858.2	1,851.9
Yoplait	1,499.0	1,491.2	1,471.0
Snacks	1,378.3	1,315.8	1,237.7
Baking Products	808.6	845.2	842.6
Small Planet Foods and other	228.7	202.1	198.9
Total	\$10,163.9	\$10,209.8	\$9,973.6

U.S. Retail Net Sales Percentage Change by Division

	Fiscal 2011 vs. 2010	Fiscal 2010 vs. 2009
Big G	(2)%	5%
Meals	(1)	Flat
Pillsbury	(2)	Flat
Yoplait	1	1
Snacks	5	6
Baking Products	(4)	Flat
Small Planet Foods	13	3
Total	Flat	2%

In fiscal 2011, net sales for Big G cereals declined 2 percent from last year which included *Chocolate Cheerios* and *Wheaties Fuel* introductory volume. Meals division net sales decreased 1 percent as *Helper* dinner mixes and *Green Giant* canned vegetables declines were partially offset by growth in *Old El Paso* Mexican products, *Progresso* ready-to-serve soups and *Wanchai Ferry* and *Macaroni Grill* frozen entrees. Pillsbury net sales declined 2 percent due to sales declines in *Totino's* pizza. Net sales for Yoplait grew 1 percent including the acquisition of the *Mountain High* yoghurt business. Snacks net sales grew 5 percent, driven by *Nature Valley* and *Fiber One* grain snack bars. Net sales for Baking Products declined 4 percent. Small Planet Food's net sales were up 13 percent driven by double-digit growth for *Lärabar* fruit and nut energy bars.

In fiscal 2010, net sales for Big G cereals grew 5 percent driven by *Multigrain Cheerios*, *Cinnamon Toast Crunch*, and *Fiber One* cereals and introductory sales of *Chocolate Cheerios* and *Wheaties Fuel*. Meals division net sales were flat, as gains from *Green Giant* frozen vegetables and *Old El Paso* Mexican products were offset by lower sales of *Progresso* ready-to-serve soups. Pillsbury net sales were flat, including gains on *Totino's* pizza and *Pizza Rolls* snacks and *Pillsbury Toaster Strudel* pastries offset by lower sales for *Pillsbury* refrigerated baked goods. Net sales for Yoplait grew 1 percent, led by introductory sales from *Yoplait Delights* and *Yoplait* Greek style yogurt. Snacks net sales grew 6 percent, driven by *Fiber One* bars, *Nature Valley* grain snacks and several fruit snack varieties. Net sales for Baking Products were flat. Small Planet Food's net sales were up 3 percent, reflecting performance of *Cascadian Farm* cereal and granola bars and *Lärabar* fruit and nut energy bars.

Segment operating profit of \$2.3 billion in fiscal 2011 declined \$37 million, or 2 percent, from fiscal 2010. The decrease was primarily driven by unfavorable supply chain costs of \$81 million, partially offset by a 9 percent reduction in advertising and media expense.

Segment operating profit of \$2.4 billion in fiscal 2010 improved \$179 million, or 8 percent, over fiscal 2009. The increase was primarily driven by favorable supply chain costs of \$238 million, net price realization and mix of \$106 million, and volume growth of \$54 million, partially offset by a 22 percent increase in advertising and media expense and higher administrative costs.

International Segment In Canada, our major product categories are ready-to-eat cereals, shelf stable and frozen vegetables, dry dinners, refrigerated and frozen dough products, dessert and baking mixes, frozen pizza snacks, and grain and fruit snacks. In markets outside North America, our product categories include super-premium ice cream and frozen desserts, refrigerated yogurt, grain snacks, shelf stable and frozen vegetables, refrigerated and frozen dough products, and dry dinners. Our International segment also includes products manufactured in the United States for export, mainly to Caribbean and Latin American markets, as well as products we manufacture for sale to our international joint ventures. Revenues from export activities are reported in the region or country where the end customer is located.

Components of net sales growth are shown in the following table:

Components of International Net Sales Growth

	Fiscal 2011 vs. 2010	Fiscal 2010 vs. 2009
Contributions from volume growth ^(a)	6 pts	Flat
Net price realization and mix	1 pt	3 pts
Foreign currency exchange	Flat	1 pt
Net sales growth	7 pts	4 pts

(a) Measured in tons based on the stated weight of our product shipments.

In fiscal 2011, net sales for our International segment were \$2,876 million, up 7 percent from fiscal 2010. This growth was driven by 6 percentage points of contributions from volume and 1 percentage point from net price realization and mix. Foreign currency exchange was flat compared to fiscal 2010.

Net sales totaled \$2,685 million in fiscal 2010, up 4 percent from \$2,572 million in fiscal 2009. The growth

in fiscal 2010 was driven by 3 percentage points from net price realization and mix and 1 percentage point of favorable foreign currency exchange. Pound volume was flat, reflecting a 2 percentage point reduction from divested product lines.

Net sales for our International segment by geographic region are shown in the following tables:

International Net Sales by Geographic Region

In Millions	Fiscal Year		
	2011	2010	2009
Europe	\$905.5	\$859.6	\$849.1
Canada	769.9	709.9	645.9
Asia/Pacific	822.9	720.0	634.5
Latin America	377.2	395.4	442.3
Total	\$2,875.5	\$2,684.9	\$2,571.8

International Change in Net Sales by Geographic Region

	Fiscal 2011 vs. 2010	Fiscal 2010 vs. 2009
Europe	5%	1%
Canada	8	10
Asia/Pacific	14	13
Latin America	(5)	(11)
Total	7%	4%

In fiscal 2011, net sales in Europe grew 5 percent driven by growth in *Häagen Dazs* and *Nature Valley* in the United Kingdom, and *Old El Paso* in France and Switzerland, partially offset by unfavorable foreign exchange. Net sales in Canada increased 8 percent due to favorable foreign exchange and growth in ready-to-eat cereals. In the Asia/Pacific region, net sales grew 14 percent driven by growth of *Häagen-Dazs* and *Wanchai Ferry* brands in China, and *atta flour* in India. Latin America net sales decreased 5 percent driven by unfavorable foreign exchange primarily related to the 2010 devaluation of the Venezuelan currency, partially offset by *Diablitos* growth in Venezuela and *La Salteña* growth in Argentina.

In fiscal 2010, net sales in Europe increased by 1 percent, driven by growth in *Nature Valley* and *Old El Paso* partially offset by unfavorable foreign currency exchange. Net sales in Canada increased 10 percent due to favorable foreign currency exchange and growth from cereal and *Old El Paso*. In the Asia/Pacific region, net sales grew 13 percent due to growth from *Häagen-Dazs* shops and *Wanchai Ferry* products in China. Latin

America net sales decreased 11 percent due to unfavorable foreign currency exchange, partially offset by net price realization.

Segment operating profit for fiscal 2011 grew 52 percent to \$291 million from \$192 million in fiscal 2010, primarily driven by volume growth and favorable foreign currency exchange. In fiscal 2010, we incurred a \$14 million foreign exchange loss on the revaluation of non-bolivar fuerte monetary balances in Venezuela.

Segment operating profit for fiscal 2010 declined 20 percent to \$192 million, from \$239 million in fiscal 2009, reflecting unfavorable foreign currency effects and a 31 percent increase in advertising and media expense, partially offset by favorable net price realization.

In January 2010, the Venezuelan government devalued the bolivar fuerte by resetting the official exchange rate. The effect of the devaluation was a \$14 million foreign exchange loss in fiscal 2010, primarily on the revaluation of non-bolivar fuerte monetary balances in Venezuela. We continue to use the official exchange rate to remeasure the financial statements of our Venezuelan operations, as we intend to remit dividends solely through the government-operated Foreign Exchange Administration Board (CADIVI). The devaluation of the bolivar fuerte also reduced the U.S. dollar equivalent of our Venezuelan results of operations and financial condition, but this did not have a material impact on our results. During fiscal 2010, Venezuela became a highly inflationary economy, which did not have a material impact on our results in fiscal 2011 or 2010.

Bakeries And Foodservice Segment In our Bakeries and Foodservice segment our major product categories are cereals, snacks, yogurt, unbaked and fully baked frozen dough products, baking mixes, and flour. Many products we sell are branded to the consumer and nearly all are branded to our customers. We sell to distributors and operators in many customer channels including foodservice, convenience stores, vending, and supermarket bakeries.

Components of net sales growth are shown in the following table:

Components of Bakeries and Foodservice Net Sales Growth

	Fiscal 2011 vs. 2010	Fiscal 2010 vs. 2009
Contributions from volume growth ^(a)	Flat	-8 pts
Net price realization and mix	6 pts	-5 pts
Foreign currency exchange	Flat	Flat
Net sales growth	6 pts	-13 pts

(a) Measured in tons based on the stated weight of our product shipments.

For fiscal 2011, net sales for our Bakeries and Foodservice segment increased 6 percent to \$1,841 million. The increase in fiscal 2011 was driven by an increase in net price realization and mix of 6 percentage points, primarily from prices indexed to commodity markets. Contributions from volume were flat, including a 2 percentage point decline from a divested product line.

For fiscal 2010, net sales for our Bakeries and Foodservice segment decreased 13 percent to \$1,741 million. The decrease in fiscal 2010 was driven by 8 percentage points from volume declines, including 8 percentage points from divested product lines and a loss of 2 percentage points from an additional week in fiscal 2009. Net price realization and mix decreased 5 percentage points, primarily from prices indexed to commodity markets.

Net sales for our Bakeries and Foodservice segment by customer channel is shown in the following tables:

Bakeries and Foodservice Net Sales by Customer Channel

In Millions	Fiscal Year		
	2011	2010	2009
Foodservice Distributors	\$557.3	\$543.3	\$558.1
Convenience Stores	225.6	202.8	190.4
Bakeries and National			
Restaurant Accounts	1,057.9	994.8	1,261.9
Total	\$1,840.8	\$1,740.9	2,010.4

Bakeries and Foodservice Net Sales Percentage Change by Customer Channel

	Fiscal 2011 vs. 2010	Fiscal 2010 vs. 2009
Foodservice Distributors	3%	(3)%
Convenience Stores	11	7
Bakeries and National Restaurant Accounts	6	(21)
Total	6%	(13)%

In fiscal 2011, segment operating profit was \$306 million, up from \$263 million in fiscal 2010. The increase was primarily driven by net price realization and mix and increased grain merchandising earnings, partially offset by higher input costs.

Segment operating profit was \$263 million in fiscal 2010, up from \$178 million in fiscal 2009. The increase was due to lower input costs, plant operating performance, and increased grain merchandising earnings.

Unallocated Corporate Items Unallocated corporate items include corporate overhead expenses, variances to planned domestic employee benefits and incentives, annual contributions to the General Mills Foundation, and other items that are not part of our measurement of segment operating performance. This includes gains and losses from mark-to-market valuation of certain commodity positions until passed back to our operating segments in accordance with our policy as discussed in Note 2 of the Consolidated Financial Statements on page 49 of this report.

For fiscal 2011, unallocated corporate expense totaled \$184 million compared to \$203 million last year. In fiscal 2011 we recorded a \$95 million net decrease in expense related to mark-to-market valuation of certain commodity positions and grain inventories, compared to a \$7 million net increase in expense last year. This was partially offset by a \$69 million increase in corporate pension expense in fiscal 2011. In fiscal 2010, we recorded a \$13 million recovery against a corporate investment.

Unallocated corporate expense totaled \$203 million in fiscal 2010 compared to \$342 million in fiscal 2009. In fiscal 2010, we recorded a \$7 million net increase in expense related to mark-to-market valuation of certain commodity positions and grain inventories, compared to a \$119 million net increase in expense in fiscal 2009. Also in fiscal 2010, we recorded a \$13 million recovery against a corporate investment compared to \$35 million of write-downs against various investments in fiscal 2009. In fiscal 2009, we recognized a \$41 million gain from an insurance settlement.

Joint Ventures In addition to our consolidated operations, we participate in two joint ventures. We have a 50 percent equity interest in CPW, which manufactures and markets ready-to-eat cereal products in more than 130 countries and republics outside the United States and Canada. CPW also markets cereal bars in several European countries and manufactures private label

cereals for customers in the United Kingdom. We also have a 50 percent equity interest in HDJ, which manufactures, distributes, and markets *Häagen-Dazs* ice cream products and frozen novelties.

Our share of after-tax joint venture earnings decreased from \$102 million in fiscal 2010 to \$96 million in fiscal 2011 primarily due to higher advertising and media spending and increased service cost allocations, all in CPW.

Our share of after-tax joint venture earnings increased from \$92 million in fiscal 2009 to \$102 million in fiscal 2010. The increase is mainly due to lower fiscal 2009 earnings which were reduced by a \$6 million deferred income tax valuation allowance.

The change in net sales for each joint venture is set forth in the following table:

Joint Venture Change in Net Sales

	Fiscal 2011 vs. 2010	Fiscal 2010 vs. 2009
CPW	3%	6%
HDJ	4	(4)
Joint Ventures	4%	4%

For fiscal 2011, CPW net sales grew by 3 percent due to a 2 percentage point increase in volume and 1 percentage point from favorable foreign exchange. Net price realization and mix was flat compared to fiscal 2010. Net sales for HDJ increased 4 percent from fiscal 2010 primarily due to 9 percentage points of favorable foreign exchange, partially offset by a 5 percentage point decline in net price realization and mix. Volume was flat compared to fiscal 2010.

For fiscal 2010, CPW net sales grew by 6 percent due to 4 percentage points of growth from net price realization and mix, 1 percentage point from favorable foreign exchange and a 1 percentage point increase in volume, including growth in Russia, Southeast Asia, the Middle East and Latin America. Net sales for HDJ decreased 4 percent from fiscal 2009 due to an 11 percentage point decline in volume, partially offset by favorable foreign exchange.

Selected cash flows from our joint ventures are set forth in the following table:

Selected Cash Flows from Joint Ventures

Inflow (Outflow), in Millions	Fiscal Year		
	2011	2010	2009
Advances to joint ventures, net	\$(1.8)	\$(128.1)	\$8.2
Dividends received	72.7	88.0	68.5

IMPACT OF INFLATION

We have experienced significant input cost volatility since fiscal 2006. Our gross margin performance in fiscal 2011 reflects the impact of input cost inflation, primarily on commodities inputs. We expect the cost of commodities and energy to increase at a higher rate in fiscal 2012. We attempt to minimize the effects of inflation through planning and operating practices. Our risk management practices are discussed on pages 41 through 42 of this report.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the Act) was signed into law in March 2010. The Act codifies health care reforms with staggered effective dates from 2010 to 2018. Many provisions in the Act require the issuance of additional guidance from various government agencies. Because the Act does not take effect fully until future years, the Act did not have a material impact on our fiscal 2011 or 2010 results of operations. Given the complexity of the Act, the extended time period over which the reforms will be implemented, and the unknown impact of future regulatory guidance, the full impact of the Act on future periods will not be known until those regulations are adopted.

LIQUIDITY

The primary source of our liquidity is cash flow from operations. Over the most recent three-year period, our operations have generated \$5.5 billion in cash. A substantial portion of this operating cash flow has been returned to stockholders through share repurchases and dividends. We also use this source of liquidity to fund our capital expenditures. We typically use a combination of cash, notes payable, and long-term debt to finance acquisitions and major capital expansions.

Cash Flows from Operations

In Millions	Fiscal Year		
	2011	2010	2009
Net earnings, including			
earnings attributable to			
noncontrolling interests	\$1,803.5	\$1,535.0	\$1,313.7
Depreciation and amortization	472.6	457.1	453.6
After-tax earnings			
from joint ventures	(96.4)	(101.7)	(91.9)
Stock-based compensation	105.3	107.3	117.7
Deferred income taxes	205.3	22.3	215.8
Tax benefit on exercised options	(106.2)	(114.0)	(89.1)
Distributions of earnings			
from joint ventures	72.7	88.0	68.5
Pension and other postretirement			
benefit plan contributions	(220.8)	(17.2)	(220.3)
Pension and other postretirement			
benefit plan (income) expense	73.6	(37.9)	(27.5)
Divestitures (gain), net	(17.4)	—	(84.9)
Gain on insurance settlement	—	—	(41.3)
Restructuring, impairment,			
and other exit costs (income)	(1.3)	23.4	31.3
Changes in current			
assets and liabilities	(720.9)	143.4	176.9
Other, net	(43.2)	75.5	5.7
Net cash provided by			
operating activities	\$1,526.8	\$2,181.2	\$1,828.2

In fiscal 2011, our operations generated \$1.5 billion of cash compared to \$2.2 billion in fiscal 2010. The \$654 million decrease primarily reflects an \$864 million increased use of cash for net current assets and liabilities and a \$200 million voluntary contribution to our principal domestic pension plans, partially offset by the \$268 million increase in net earnings and a \$183 million change in deferred income taxes primarily related to our pension plan contribution and a change in tax legislation related to depreciation deductions.

The increased use of cash for net current assets and liabilities reflects lower other current liabilities, primarily reflecting changes in the timing of marketing activities and related accruals and a payment of \$385 million in fiscal 2011 related to our IRS settlement as described in Note 14 to the Consolidated Financial Statements on page 77 of this report. In addition, inventories used \$223 million more cash in fiscal 2011 reflecting increased input costs.

We strive to grow core working capital at or below our growth in net sales. For fiscal 2011, core working capital increased 16 percent, compared to net sales growth of 2

percent, reflecting cost inflation and higher inventories. In fiscal 2010, core working capital increased 3 percent, compared to net sales growth of 1 percent, and in fiscal 2009, core working capital declined 1 percent, compared to net sales growth of 7 percent.

In fiscal 2010, our operations generated \$2.2 billion of cash compared to \$1.8 billion in fiscal 2009, primarily reflecting the \$221 million increase in net earnings, including earnings attributable to noncontrolling interests.

Cash Flows from Investing Activities

In Millions	Fiscal Year		
	2011	2010	2009
Purchases of land, buildings, and equipment	\$(648.8)	\$(649.9)	\$(562.6)
Acquisitions	(123.3)	—	—
Investments in affiliates, net	(1.8)	(130.7)	5.9
Proceeds from disposal of land, buildings, and equipment	4.1	7.4	4.1
Proceeds from divestitures of product lines	34.4	—	244.7
Proceeds from insurance settlement	—	—	41.3
Other, net	20.3	52.0	(22.3)
Net cash used by investing activities	\$(715.1)	\$(721.2)	\$(288.9)

In fiscal 2011, cash used by investing activities decreased by \$6 million from fiscal 2010. The decreased use of cash reflects \$25 million of proceeds from the divestiture of a foodservice frozen baked goods product line in our International segment and \$9 million of proceeds from the sale of a pie shell product line in our Bakeries and Foodservice segment in fiscal 2011. In addition, in fiscal 2011, we paid \$85 million for the acquisition of the *Mountain High* yoghurt business for our U.S. Retail segment and \$38 million for the acquisition of the *Pasta Master* meals business in Australia for our International segment. We also invested \$131 million in affiliates in fiscal 2010, mainly our CPW joint venture, to repay local borrowings.

In fiscal 2010, cash used by investing activities increased by \$432 million from fiscal 2009 primarily due to \$245 million of proceeds from the sale of certain product lines in fiscal 2009 and \$41 million of insurance proceeds received in fiscal 2009 from the settlement with the insurance carrier covering the loss at our *La Salteña* pasta manufacturing facility in Argentina. We also invested \$131 million in affiliates in fiscal 2010.

We expect capital expenditures to increase to approximately \$670 million in fiscal 2012, excluding any

expenditures required to support Yoplait S.A.S. These expenditures support initiatives that are expected to: increase manufacturing capacity for grain snacks; continue HMM initiatives throughout the supply chain; expand International production capacity for *Bugles*, *Nature Valley* bars and *Häagen-Dazs* products; and integrate fiscal 2011 acquisitions.

Cash Flows from Financing Activities

In Millions	Fiscal Year		
	2011	2010	2009
Change in notes payable	\$ (742.6)	\$ 235.8	\$(1,390.5)
Issuance of long-term debt	1,200.0	—	1,850.0
Payment of long-term debt	(7.4)	(906.9)	(370.3)
Proceeds from common stock issued on exercised options	410.4	388.8	305.2
Tax benefit on exercised options	106.2	114.0	89.1
Purchases of common stock for treasury	(1,163.5)	(691.8)	(1,296.4)
Dividends paid	(729.4)	(643.7)	(579.5)
Other, net	(10.3)	—	(12.1)
Net cash used by financing activities	\$ (936.6)	\$(1,503.8)	\$(1,404.5)

Net cash used by financing activities decreased by \$567 million in fiscal 2011.

In May 2011, we issued \$300 million aggregate principal amount of 1.55 percent fixed-rate notes and \$400 million aggregate principal amount of floating-rate notes, both due May 16, 2014. The proceeds of these notes were used to repay a portion of our outstanding commercial paper. The floating-rate notes bear interest equal to three-month LIBOR plus 35 basis points, subject to quarterly reset. Interest on the floating-rate notes is payable quarterly in arrears. Interest on the fixed-rate notes is payable semi-annually in arrears. The fixed-rate notes may be redeemed at our option at any time for a specified make whole amount. These notes are senior unsecured, unsubordinated obligations that include a change of control repurchase provision.

In June 2010, we issued \$500 million aggregate principal amount of 5.4 percent notes due 2040. The proceeds of these notes were used to repay a portion of our outstanding commercial paper. Interest on these notes is payable semi-annually in arrears. These notes may be redeemed at our option at any time for a specified make whole amount. These notes are senior unsecured, unsubordinated obligations that include a change of control repurchase provision.

In May 2010, we paid \$437 million to repurchase in a cash tender offer \$400 million of our previously issued debt. We repurchased \$221 million of our 6.0 percent notes due 2012 and \$179 million of our 5.65 percent notes due 2012. We issued commercial paper to fund the repurchase.

In January 2009, we issued \$1.2 billion aggregate principal amount of 5.65 percent notes due 2019. In August 2008, we issued \$700 million aggregate principal amount of 5.25 percent notes due 2013. The proceeds of these notes were used to repay a portion of our outstanding commercial paper. Interest on these notes is payable semi-annually in arrears. These notes may be redeemed at our option at any time for a specified make-whole amount. These notes are senior unsecured, unsubordinated obligations that include a change of control repurchase provision.

During fiscal 2011, we repurchased 32 million shares of our common stock for an aggregate purchase price of \$1,164 million. During fiscal 2010, we repurchased 21 million shares of our common stock for an aggregate purchase price of \$692 million. During fiscal 2009, we repurchased 40 million shares of our common stock for an aggregate purchase price of \$1,296 million. On June 28, 2010, our Board of Directors authorized the repurchase of up to 100 million shares of our common stock. Purchases under the authorization can be made in the open market or in privately negotiated transactions, including the use of call options and other derivative instruments, Rule 10b5-1 trading plans, and accelerated repurchase programs. The authorization has no specified termination date.

Dividends paid in fiscal 2011 totaled \$729 million, or \$1.12 per share, a 17 percent per share increase from fiscal 2010. Dividends paid in fiscal 2010 totaled \$644 million, or \$0.96 per share, a 12 percent per share increase from fiscal 2009 dividends of \$0.86 per share. On June 28, 2011, our Board of Directors approved a dividend increase to an annual rate of \$1.22 per share, a 9 percent increase from the rate paid in fiscal 2011.

CAPITAL RESOURCES

Total capital consisted of the following:

In Millions	May 29, 2011	May 30, 2010
Notes payable	\$ 311.3	\$ 1,050.1
Current portion of long-term debt	1,031.3	107.3
Long-term debt	5,542.5	5,268.5
Total debt	6,885.1	6,425.9
Noncontrolling interests	246.7	245.1
Stockholders' equity	6,365.5	5,402.9
Total capital	\$13,497.3	\$12,073.9

The increase in total capital from fiscal 2010 to fiscal 2011 was primarily due to net earnings attributable to General Mills of \$1.8 billion and an increase in current and long-term debt, partially offset by a decrease in notes payable.

The following table details the fee-paid committed and uncommitted credit lines we had available as of May 29, 2011:

In Billions	Amount
Credit facility expiring:	
October 2012	\$1.8
October 2013	1.1
Total committed credit facilities	2.9
Uncommitted credit facilities	0.3
Total committed and uncommitted credit facilities	\$3.2

To ensure availability of funds, we maintain bank credit lines sufficient to cover our outstanding short-term borrowings. Commercial paper is a continuing source of short-term financing. We issue commercial paper in the United States and Europe. Our commercial paper borrowings are supported by \$2.9 billion of fee-paid committed credit lines, consisting of a \$1.8 billion facility expiring in October 2012 and a \$1.1 billion facility expiring in October 2013. We also have \$312 million in uncommitted credit lines that support our foreign operations. As of May 29, 2011, there were no amounts outstanding on the fee-paid committed credit lines and \$119 million was drawn on the uncommitted lines. The credit facilities contain several covenants, including a requirement to maintain a fixed charge coverage ratio of at least 2.5.

Certain of our long-term debt agreements, our credit facilities, and our noncontrolling interests contain restrictive covenants. As of May 29, 2011, we were in compliance with all of these covenants.

On July 1, 2011, we acquired a 51 percent controlling interest in Yoplait S.A.S. and a 50 percent interest in Yoplait Marques S.A.S. for an aggregate purchase price of \$1.2 billion. Yoplait S.A.S. operates yogurt businesses in several countries, including France and the United Kingdom, and oversees franchise relationships around the world. Yoplait Marques S.A.S. holds the worldwide rights to *Yoplait* and related trademarks. We financed this transaction using cash available in our foreign subsidiaries and commercial paper.

We have \$1,031 million of long-term debt maturing in the next 12 months that is classified as current, primarily \$1,020 million of 6.0 percent notes which mature on February 15, 2012. We believe that cash flows from operations, together with available short- and long-term debt financing, will be adequate to meet our liquidity and capital needs for at least the next 12 months.

As of May 29, 2011, our total debt, including the impact of derivative instruments designated as hedges, was 77 percent in fixed-rate and 23 percent in floating-rate instruments, compared to 75 percent in fixed-rate and 25 percent in floating-rate instruments on May 30, 2010. The change in the fixed-rate and floating-rate percentages was driven by the issuance of \$500 million aggregate principal amount of fixed rate debt and a decrease in notes payable in fiscal 2011.

We have an effective shelf registration statement on file with the SEC covering the sale of debt securities. The shelf registration statement will expire in December 2011.

Growth in return on average total capital is one of our key performance measures (see the “Non-GAAP Measures” section on page 85 for our discussion of this measure, which is not defined by GAAP). Return on average total capital decreased from 13.8 percent in fiscal 2010 to 13.7 percent in fiscal 2011 primarily reflecting higher working capital. We also believe that the ratio of fixed charge coverage and the ratio of operating cash flow to debt are important measures of our financial strength. Our fixed charge coverage ratio in fiscal 2011 was 7.03 compared to 6.42 in fiscal 2010. The measure increased from fiscal 2010 as earnings before income taxes and after-tax earnings from joint ventures increased by \$224 million and fixed charges decreased by \$9 million, driven mainly by lower interest expense. Our operating cash flow to debt ratio decreased 11.7 percentage points to 22.2 percent in fiscal 2011, driven by a decrease in cash flows from operations and an increase in our year-end debt balance.

In April 2002, we contributed assets to our subsidiary GMC. In exchange for the contribution of these assets, GMC issued its managing membership interest and its limited preferred membership interests to certain of our wholly owned subsidiaries. We continue to hold the entire managing membership interest, and therefore direct the operations of GMC.

The third-party holder of the Class A Interests in GMC receives quarterly preferred distributions from available net income based on the application of a floating preferred return rate, currently equal to the sum of three-month LIBOR plus 65 basis points. The preferred return rate of the Class A Interests is adjusted every five years through a negotiated agreement between the Class A Interest holder and GMC, or through a remarketing auction. The next remarketing is scheduled to occur in June 2012 and thereafter in five-year intervals.

The holder of the Class A Interests may initiate a liquidation of GMC under certain circumstances, including, without limitation, the bankruptcy of GMC or its subsidiaries, GMC's failure to deliver the preferred distributions on the Class A Interests, GMC's failure to comply with portfolio requirements, breaches of certain covenants, lowering of our senior debt rating below either Baa3 by Moody's or BBB- by Standard & Poor's, and a failed attempt to remarket the Class A Interests as a result of GMC's failure to assist in such remarketing. In the event of a liquidation of GMC, each member of GMC will receive the amount of its then current capital account balance. The managing member may avoid liquidation by exercising its option to purchase the Class A Interests.

We may exercise our option to purchase the Class A Interests for consideration equal to the then current capital account value, plus any unpaid preferred return and the prescribed make-whole amount. If we purchase these interests, any change in the unrelated third-party investor's capital account from its original value will be charged directly to retained earnings and will increase or decrease the net earnings used to calculate EPS in that period.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

As of May 29, 2011, we have issued guarantees and comfort letters of \$591 million for the debt and other obligations of consolidated subsidiaries, and guarantees and comfort letters of \$341 million for the debt and other obligations of non-consolidated affiliates, mainly CPW. In addition, off-balance sheet arrangements are generally limited to the future payments under non-cancelable operating leases, which totaled \$261 million as of May 29, 2011.

As of May 29, 2011, we had invested in six variable interest entities (VIEs). We determined whether or not we were the primary beneficiary (PB) of each VIE using a qualitative assessment that considered the VIE's purpose and design, the involvement of each of the interest holders, and the risks and benefits of the VIE. We have an interest in a contract manufacturer at our former facility in Geneva, Illinois. We are the PB and have consolidated this entity. This entity had property and equipment with a carrying value of \$14 million and long-term debt of \$15 million as of May 29, 2011. The liabilities recognized as a result of consolidating this entity do not represent additional claims on our general assets. The remaining five VIEs, two of which we are not the PB, are not material to our results of operations, financial condition, or liquidity as of and for the year ended May 29, 2011. We have provided minimal financial or other support to VIEs during the current period and there are no arrangements related to VIEs that would require us to provide significant financial support in the future.

Our defined benefit plans in the United States are subject to the requirements of the Pension Protection Act (PPA). The PPA revised the basis and methodology for determining defined benefit plan minimum funding requirements as well as maximum contributions to and benefits paid from tax-qualified plans. Most of these provisions were applicable to our domestic defined benefit pension plans in fiscal 2011 on a phased-in basis. The PPA may ultimately require us to make additional contributions to our domestic plans. We did not make a contribution to our principal defined benefit pension plans in fiscal 2010. We made \$200 million of voluntary contributions to our principal domestic plans in fiscal 2011. We do not expect to be required to make any contributions in fiscal 2012. Actual fiscal 2012 contributions could exceed our current projections, and may be influenced by our decision to undertake discretionary

funding of our benefit trusts or by changes in regulatory requirements. Additionally, our projections concerning timing of the PPA funding requirements are subject to change and may be influenced by factors such as general market conditions affecting trust asset performance, interest rates, and our future decisions regarding certain elective provisions of the PPA.

The following table summarizes our future estimated cash payments under existing contractual obligations, including payments due by period:

In Millions	Payments Due by Fiscal Year				
	Total	2012	2013-14	2015-16	2017 and Thereafter
Long-term debt ^(a)	\$ 6,565.1	\$1,030.1	\$2,134.8	\$750.1	\$2,650.1
Accrued interest	114.0	114.0	—	—	—
Operating leases ^(b)	261.4	74.4	88.9	48.7	49.4
Capital leases	5.9	2.2	2.7	0.8	0.2
Purchase obligations ^(c)	2,791.4	2,457.6	193.9	74.8	65.1
Total contractual obligations	9,737.8	3,678.3	2,420.3	874.4	2,764.8
Other long-term obligations ^(d)	1,731.1	—	—	—	—
Total long-term obligations	\$11,468.9	\$3,678.3	\$2,420.3	\$874.4	\$2,764.8

(a) Amounts represent the expected cash payments of our long-term debt and do not include \$3 million for domestic capital leases or \$6 million for net unamortized bond premiums and discounts and fair value adjustments.

(b) Operating leases represents the minimum rental commitments under non-cancelable operating leases.

(c) The majority of the purchase obligations represent commitments for raw material and packaging to be utilized in the normal course of business and for consumer marketing spending commitments that support our brands. For purposes of this table, arrangements are considered purchase obligations if a contract specifies all significant terms, including fixed or minimum quantities to be purchased, a pricing structure, and approximate timing of the transaction. Most arrangements are cancelable without a significant penalty and with short notice (usually 30 days). Any amounts reflected on the Consolidated Balance Sheets as accounts payable and accrued liabilities are excluded from the table above.

(d) The fair value of our interest rate, foreign exchange and grain derivative contracts with a payable position to the counterparty was \$86 million as of May 29, 2011, based on fair market values as of that date. Future changes in market values will impact the amount of cash ultimately paid or received to settle those instruments in the future. Other long-term obligations mainly consist of liabilities for accrued compensation and benefits, including the underfunded status of certain of our defined benefit pension, other postretirement, and postemployment plans, and miscellaneous liabilities. We expect to pay \$18 million of benefits from our unfunded postemployment benefit plans and \$10 million of deferred compensation in fiscal 2012. We are unable to reliably estimate the amount of these payments beyond fiscal 2012. As of May 29, 2011, our total liability for uncertain tax positions and the associated accrued interest and penalties was \$280 million.

SIGNIFICANT ACCOUNTING ESTIMATES

For a complete description of our significant accounting policies, see Note 2 to the Consolidated Financial Statements on page 49 of this report. Our significant accounting estimates are those that have a meaningful impact on the reporting of our financial condition and results of operations. These estimates include our accounting for promotional expenditures, valuation of long-lived assets, intangible assets, stock-based compensation, income taxes, and defined benefit pension, other postretirement and postemployment benefits.

Promotional Expenditures Our promotional activities are conducted through our customers and directly or indirectly with end consumers. These activities include: payments to customers to perform merchandising activities on our behalf, such as advertising or in-store displays; discounts to our list prices to lower retail shelf prices; payments to gain distribution of new products; coupons, contests, and other incentives; and media and advertising expenditures. The media and advertising expenditures are generally recognized as expense when the advertisement airs. The cost of payments to customers and other consumer-related activities are recognized as the related revenue is recorded, which generally precedes the actual cash expenditure. The recognition of these costs requires estimation of customer participation and performance levels. These estimates are made based on the forecasted customer sales, the timing and forecasted costs of promotional activities, and other factors. Differences between estimated expenses and actual costs are normally insignificant and are recognized as a change in management estimate in a subsequent period. Our accrued trade, coupon, and consumer marketing liabilities were \$463 million as of May 29, 2011, and \$555 million as of May 30, 2010. Because our total promotional expenditures (including amounts classified as a reduction of revenues) are significant, if our estimates are inaccurate we would have to make adjustments in subsequent periods that could have a material effect on our results of operations.

Valuation of Long-lived Assets Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (or asset group) may not be recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows from the operation and disposition of the asset group are less than

the carrying amount of the asset group. Asset groups have identifiable cash flows independent of other asset groups. Measurement of an impairment loss would be based on the excess of the carrying amount of the asset group over its fair value. Fair value is measured using discounted cash flows or independent appraisals, as appropriate.

Intangible Assets Goodwill is not subject to amortization and is tested for impairment annually and whenever events or changes in circumstances indicate that impairment may have occurred. Impairment testing is performed for each of our reporting units. We compare the carrying value of a reporting unit, including goodwill, to the fair value of the unit. Carrying value is based on the assets and liabilities associated with the operations of that reporting unit, which often requires allocation of shared or corporate items among reporting units. If the carrying amount of a reporting unit exceeds its fair value, we revalue all assets and liabilities of the reporting unit, excluding goodwill, to determine if the fair value of the net assets is greater than the net assets including goodwill. If the fair value of the net assets is less than the carrying amount of net assets including goodwill, impairment has occurred. Our estimates of fair value are determined based on a discounted cash flow model. Growth rates for sales and profits are determined using inputs from our annual long-range planning process. We also make estimates of discount rates, perpetuity growth assumptions, market comparables, and other factors. We performed our fiscal 2011 assessment as of November 29, 2010, and determined there was no impairment of goodwill for any of our reporting units as their related fair values were substantially in excess of their carrying values.

We evaluate the useful lives of our other intangible assets, mainly brands, to determine if they are finite or indefinite-lived. Reaching a determination on useful life requires significant judgments and assumptions regarding the future effects of obsolescence, demand, competition, other economic factors (such as the stability of the industry, known technological advances, legislative action that results in an uncertain or changing regulatory environment, and expected changes in distribution channels), the level of required maintenance expenditures, and the expected lives of other related groups of assets.

Our indefinite-lived intangible assets, mainly intangible assets primarily associated with the *Pillsbury*, *Totino's*, *Progresso*, *Green Giant*, *Old El Paso*, and *Häagen-Dazs*

brands, are also tested for impairment annually and whenever events or changes in circumstances indicate that their carrying value may not be recoverable. We performed our fiscal 2011 assessment of our brand intangibles as of November 29, 2010. Our estimate of the fair value of the brands was based on a discounted cash flow model using inputs which included: projected revenues from our annual long-range plan; assumed royalty rates that could be payable if we did not own the brands; and a discount rate. As of our assessment date, there was no impairment of any of our indefinite-lived intangible assets as their related fair values were substantially in excess of the carrying values.

As of May 29, 2011, we had \$10.5 billion of goodwill and indefinite-lived intangible assets. While we currently believe that the fair value of each intangible exceeds its carrying value and that those intangibles so classified will contribute indefinitely to our cash flows, materially different assumptions regarding future performance of our businesses or a different weighted-average cost of capital could result in significant impairment losses and amortization expense.

In addition, we assess our investments in our joint ventures if we have reason to believe an impairment may have occurred including, but not limited to, ongoing operating losses, projected decreases in earnings, increases in the weighted average cost of capital or significant business disruptions. The significant assumptions used to estimate fair value include revenue growth and profitability, royalty rates, capital spending, depreciation and taxes, foreign currency exchange rates and a discount rate. By their nature, these projections and assumptions are uncertain. If we were to determine the current fair value of our investment was less than the carrying value of the investment, then we would assess if the shortfall was of a temporary or permanent nature and write down the investment to its fair value if we concluded the impairment is other than temporary.

After the earthquakes and tsunami in Japan in March 2011, we assessed the fair value of our investment in HDJ and determined that it exceeded the carrying value by approximately 5 percent. As of May 29, 2011, the carrying value of HDJ consisted of our investment of \$61 million and goodwill of \$524 million. Sustained declines in business results or an increase in the weighted average cost of capital may adversely affect the fair value of our investment in HDJ, and could result in a future impairment to our investment.

Stock-based Compensation The valuation of stock options is a significant accounting estimate that requires us to use judgments and assumptions that are likely to have a material impact on our financial statements. Annually, we make predictive assumptions regarding future stock price volatility, employee exercise behavior, dividend yield, and the forfeiture rate.

We estimate our future stock price volatility using the historical volatility over the expected term of the option, excluding time periods of volatility we believe a market-place participant would exclude in estimating our stock price volatility. We also have considered, but did not use, implied volatility in our estimate, because trading activity in options on our stock, especially those with tenors of greater than 6 months, is insufficient to provide a reliable measure of expected volatility. If all other assumptions are held constant, a one percentage point increase in our fiscal 2011 volatility assumption would increase the grant-date fair value of our fiscal 2011 option awards by 5 percent.

Our expected term represents the period of time that options granted are expected to be outstanding based on historical data to estimate option exercises and employee terminations within the valuation model. Separate groups of employees have similar historical exercise behavior and therefore were aggregated into a single pool for valuation purposes. The weighted-average expected term for all employee groups is presented in the table below. An increase in the expected term by 1 year, leaving all other assumptions constant, would change the grant date fair value by 16 percent.

The risk-free interest rate for periods during the expected term of the options is based on the U.S. Treasury zero-coupon yield curve in effect at the time of grant.

The estimated fair values of stock options granted and the assumptions used for the Black-Scholes option-pricing model were as follows:

	Fiscal Year		
	2011	2010	2009
Estimated fair values of stock options granted	\$ 4.12	\$ 3.20	\$ 4.70
Assumptions:			
Risk-free interest rate	2.9%	3.7%	4.4%
Expected term	8.5 years	8.5 years	8.5 years
Expected volatility	18.5%	18.9%	16.1%
Dividend yield	3.0%	3.4%	2.7%

To the extent that actual outcomes differ from our assumptions, we are not required to true up grant-date fair value-based expense to final intrinsic values. However, these differences can impact the classification of cash tax benefits realized upon exercise of stock options, as explained in the following two paragraphs. Furthermore, historical data has a significant bearing on our forward-looking assumptions. Significant variances between actual and predicted experience could lead to prospective revisions in our assumptions, which could then significantly impact the year-over-year comparability of stock-based compensation expense.

Any corporate income tax benefit realized upon exercise or vesting of an award in excess of that previously recognized in earnings (referred to as a windfall tax benefit) is presented in the Consolidated Statements of Cash Flows as a financing cash flow. The actual impact on future years' financing cash flow will depend, in part, on the volume of employee stock option exercises during a particular year and the relationship between the exercise-date market value of the underlying stock and the original grant-date fair value previously determined for financial reporting purposes.

Realized windfall tax benefits are credited to additional paid-in capital within the Consolidated Balance Sheets. Realized shortfall tax benefits (amounts which are less than that previously recognized in earnings) are first offset against the cumulative balance of windfall tax benefits, if any, and then charged directly to income tax expense, potentially resulting in volatility in our consolidated effective income tax rate. We calculated a cumulative amount of windfall tax benefits from post-1995 fiscal years for the purpose of accounting for future shortfall tax benefits and currently have sufficient cumulative windfall tax benefits to absorb projected arising shortfalls, such that we do not currently expect future earnings to be affected by this provision. However, as employee stock option exercise behavior is not within our control, it is possible that materially different reported results could occur if different assumptions or conditions were to prevail.

Income Taxes We apply a more-likely-than-not threshold to the recognition and derecognition of uncertain tax positions. Accordingly we recognize the amount of tax benefit that has a greater than 50 percent likelihood of being ultimately realized upon settlement. Future changes in judgment related to the expected ultimate

resolution of uncertain tax positions will affect earnings in the quarter of such change.

We are subject to federal income taxes in the United States as well as various state, local, and foreign jurisdictions. A number of years may elapse before an uncertain tax position is audited and finally resolved. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, we believe that our liabilities for income taxes reflect the most likely outcome. We adjust these liabilities, as well as the related interest, in light of changing facts and circumstances. Settlement of any particular position would usually require the use of cash.

The number of years with open tax audits varies depending on the tax jurisdiction. Our major taxing jurisdictions include the United States (federal and state) and Canada. The IRS has completed its review of our federal income tax returns for fiscal years 2008 and prior and has proposed adjustments related to the amount of research and development tax credits claimed. We have appealed these proposed adjustments.

During fiscal 2011, we reached a settlement with the IRS concerning certain corporate income tax adjustments for fiscal years 2002 to 2008. The adjustments primarily relate to the amount of capital loss, depreciation, and amortization we reported as a result of the sale of noncontrolling interests in our GMC subsidiary. As a result, we recorded a \$108 million reduction in our total liabilities for uncertain tax positions in fiscal 2011. We made payments totaling \$385 million in fiscal 2011 related to this settlement. In addition, we made a payment of \$18 million in fiscal 2009 related to adjustments made at the IRS exam level for audits of fiscal years 2004 to 2006.

Also during fiscal 2011, the Superior Court of the State of California issued an adverse decision concerning our state income tax apportionment calculations. As a result, we recorded a \$12 million increase in our total liabilities for uncertain tax positions. We believe our positions are supported by substantial technical authority and have appealed this decision. We do not expect to make a payment related to this matter until it is definitively resolved.

In fiscal 2009, the U.S. Court of Appeals for the Eighth Circuit issued an opinion reversing a district court decision rendered in fiscal 2008. As a result, we recorded \$53 million (including interest) of income tax expense in fiscal 2009 related to the reversal of cumulative income tax benefits from this uncertain tax matter recognized

in fiscal years 1992 through 2008. All outstanding liabilities associated with this matter were paid during fiscal 2011.

Various tax examinations by United States state taxing authorities could be conducted for any open tax year, which vary by jurisdiction, but are generally from 3 to 5 years. Currently, several state examinations are in progress. The Canada Revenue Agency (CRA) has completed its review of our income tax returns in Canada for fiscal years 2003 to 2005. The CRA has raised assessments for these years that we are currently appealing. We believe our positions are supported by substantial technical authority and are vigorously defending our positions. We do not anticipate that any United States or Canadian tax adjustments will have a significant impact on our financial position or results of operations.

As of May 29, 2011, our total liability for uncertain tax positions and the associated accrued interest and penalties was \$280 million. We do not expect to pay any amounts related to uncertain tax positions or accrued interest in the next 12 months. We are not able to reasonably estimate the timing of future cash flows beyond 12 months due to uncertainties in the timing of tax audit outcomes.

Defined Benefit Pension, Other Postretirement And Postemployment Benefit Plans

Defined Benefit Pension Plans We have defined benefit pension plans covering most United States, Canadian, and United Kingdom employees. Benefits for salaried employees are based on length of service and final average compensation. Benefits for hourly employees include various monthly amounts for each year of credited service. Our funding policy is consistent with the requirements of applicable laws. We made \$200 million of voluntary contributions to our principal domestic plans in fiscal 2011. We do not expect to be required to make any contributions in fiscal 2012. Our principal domestic retirement plan covering salaried employees has a provision that any excess pension assets would be allocated to active participants if the plan is terminated within five years of a change in control.

Other Postretirement Benefit Plans We also sponsor plans that provide health care benefits to the majority of our United States and Canadian retirees. The salaried health care benefit plan is contributory, with retiree contributions based on years of service. We make decisions

to fund related trusts for certain employees and retirees on an annual basis. We did not make voluntary contributions to these plans in fiscal 2011. The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, was signed into law in March 2010. We have not fully evaluated the effect of the Act, including possible modifications to provider plans, but it could affect the future cost of our benefit plans.

Postemployment Benefit Plans Under certain circumstances, we also provide accruable benefits to former or inactive employees in the United States, Canada, and Mexico, and members of our Board of Directors, including severance and certain other benefits payable upon death. We recognize an obligation for any of these benefits that vest or accumulate with service. Postemployment benefits that do not vest or accumulate with service (such as severance based solely on annual pay rather than years of service) are charged to expense when incurred. Our postemployment benefit plans are unfunded.

We recognize benefits provided during retirement or following employment over the plan participants' active working life. Accordingly, we make various assumptions to predict and measure costs and obligations many years prior to the settlement of our obligations. Assumptions that require significant management judgment and have a material impact on the measurement of our net periodic benefit expense or income and accumulated benefit obligations include the long-term rates of return on plan assets, the interest rates used to discount the obligations for our benefit plans, and the health care cost trend rates.

Expected Rate of Return on Plan Assets Our expected rate of return on plan assets is determined by our asset allocation, our historical long-term investment performance, our estimate of future long-term returns by asset class (using input from our actuaries, investment services, and investment managers), and long-term inflation assumptions. We review this assumption annually for each plan, however, our annual investment performance for one particular year does not, by itself, significantly influence our evaluation.

The investment objective for our defined benefit pension and other postretirement benefit plans is to secure the benefit obligations to participants at a reasonable cost to us. Our goal is to optimize the long-term return on plan assets at a moderate level of risk. The defined

benefit pension and other postretirement portfolios are broadly diversified across asset classes. Within asset classes, the portfolios are further diversified across investment styles and investment organizations. For the defined benefit pension and other postretirement benefit plans, the long-term investment policy allocations are: 30 percent to equities in the United States; 20 percent to international equities; 10 percent to private equities; 30 percent to fixed income; and 10 percent to real assets (real estate, energy, and timber). The actual allocations to these asset classes may vary tactically around the long-term policy allocations based on relative market valuations.

Our historical investment returns (compound annual growth rates) for our United States defined benefit pension and other postretirement plan assets were 20.3 percent, 5.6 percent, 7.5 percent, 9.2 percent, and 10.0 percent for the 1, 5, 10, 15, and 20 year periods ended May 29, 2011.

Our principal defined benefit pension and other postretirement plans in the United States have an expected return on plan assets of 9.6 percent. On a weighted-average basis, the expected rate of return for all defined benefit plans was 9.53 percent for fiscal 2011, 9.55 percent for fiscal 2010, and 9.55 percent for fiscal 2009.

Lowering the expected long-term rate of return on assets by 50 basis points would increase our net pension and postretirement expense by \$24 million for fiscal 2012. A market-related valuation basis is used to reduce year-to-year expense volatility. The market-related valuation recognizes certain investment gains or losses over a five-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return based on the market-related value of assets. Our outside actuaries perform these calculations as part of our determination of annual expense or income.

Discount Rates Our discount rate assumptions are determined annually as of the last day of our fiscal year for our defined benefit pension, other postretirement, and postemployment benefit plan obligations. We also use the same discount rates to determine defined benefit pension, other postretirement, and postemployment benefit plan income and expense for the following fiscal year. We work with our actuaries to determine the timing and amount of expected future cash outflows to plan participants and, using the top quartile of AA-rated

corporate bond yields, to develop a forward interest rate curve, including a margin to that index based on our credit risk. This forward interest rate curve is applied to our expected future cash outflows to determine our discount rate assumptions.

Our weighted-average discount rates were as follows:

Weighted-average Discount Rates

	Defined Benefit Pension Plans	Other Postretirement Benefit Plans	Postemployment Benefit Plans
Obligations as of May 29, 2011, and fiscal 2012 expense	5.45%	5.35%	4.77%
Obligations as of May 30, 2010, and fiscal 2011 expense	5.85%	5.80%	5.12%
Fiscal 2010 expense	7.49%	7.45%	7.06%

Lowering the discount rates by 50 basis points would increase our net defined benefit pension, other postretirement, and postemployment benefit plan expense for fiscal 2012 by approximately \$36.9 million. All obligation-related experience gains and losses are amortized using a straight-line method over the average remaining service period of active plan participants.

Health Care Cost Trend Rates We review our health care cost trend rates annually. Our review is based on data we collect about our health care claims experience and information provided by our actuaries. This information includes recent plan experience, plan design, overall industry experience and projections, and assumptions used by other similar organizations. Our initial health care cost trend rate is adjusted as necessary to remain consistent with this review, recent experiences, and short-term expectations. Our initial health care cost trend rate assumption is 8.5 percent for all retirees. Rates are graded down annually until the ultimate trend rate of 5.2 percent is reached in 2019 for all retirees. The trend rates are applicable for calculations only if the retirees' benefits increase as a result of health care inflation. The ultimate trend rate is adjusted annually, as necessary, to approximate the current economic view on the rate of long-term inflation plus an appropriate health care cost premium. Assumed trend rates for health care costs have an important effect on the amounts reported for the other postretirement benefit plans.

A one percentage point change in the health care cost trend rate would have the following effects:

In Millions	One Percentage Point Increase	One Percentage Point Decrease
Effect on the aggregate of the service and interest cost components in fiscal 2012	\$ 6.2	\$ (5.4)
Effect on the other postretirement accumulated benefit obligation as of May 29, 2011	82.4	(73.6)

Any arising health care claims cost-related experience gain or loss is recognized in the calculation of expected future claims. Once recognized, experience gains and losses are amortized using a straight-line method over 15 years, resulting in at least the minimum amortization required being recorded.

Financial Statement Impact In fiscal 2011, we recorded net defined benefit pension, other postretirement, and postemployment benefit plan expense of \$95 million compared to \$11 million of income in fiscal 2010 and \$4 million of income in fiscal 2009. As of May 29, 2011, we had cumulative unrecognized actuarial net losses of \$1.3 billion on our defined benefit pension plans and \$180 million on our postretirement and postemployment benefit plans, mainly as the result of declines in the values of plan assets. These unrecognized actuarial net losses will result in increases in our future pension expense and increases in postretirement expense since they currently exceed the corridors defined by GAAP.

We use the Retirement Plans (RP) 2000 Mortality Table projected forward to our plans' measurement dates to calculate the year-end defined benefit pension, other postretirement, and postemployment benefit obligations and annual expense.

Actual future net defined benefit pension, other postretirement, and postemployment benefit plan income or expense will depend on investment performance, changes in future discount rates, changes in health care cost trend rates, and other factors related to the populations participating in these plans.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 was signed into law in March 2010. The Act codifies health care reforms with staggered effective dates from 2010 to 2018 with many provisions in the Act requiring the issuance of additional guidance from various government agencies. Estimates

of the future impacts of several of the Act's provisions are incorporated into our postretirement benefit liability including the elimination of lifetime maximums and the imposition of an excise tax on high cost health plans. These changes resulted in a \$24 million increase in our postretirement benefit liability in fiscal 2010. Given the complexity of the Act, the extended time period over which the reforms will be implemented, and the unknown impact of future regulatory guidance, further financial impacts to our postretirement benefit liability and related future expense may occur.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2011, the Financial Accounting Standards Board (FASB) issued new accounting guidance for fair value measurements providing common fair value measurement and disclosure requirements. This guidance is effective for interim and annual periods beginning after December 15, 2011, which for us is the fourth quarter of fiscal 2012. We do not expect this guidance to have a material impact on our results of operations or financial position.

In June 2011, the FASB issued new accounting guidance for the presentation of other comprehensive income (OCI). This guidance requires entities to present net income and OCI in either a single continuous statement or in separate consecutive statements. The guidance does not change the components of net income or OCI, when OCI should be reclassified to net income, or the earnings per share calculation. The guidance is effective for fiscal years beginning after December 15, 2011, which for us is the first quarter of fiscal 2013. This guidance will not impact our results of operations or financial position.

CAUTIONARY STATEMENT RELEVANT TO FORWARD-LOOKING INFORMATION FOR THE PURPOSE OF “SAFE HARBOR” PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This report contains or incorporates by reference forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are based on our current expectations and assumptions. We also may make written or oral forward-looking statements, including statements contained in our filings with the SEC and in our reports to stockholders.

The words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “plan,” “project,” or similar expressions identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results and those currently anticipated or projected. We wish to caution you not to place undue reliance on any such forward-looking statements.

In connection with the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, we are identifying important factors that could affect our financial performance and could cause our actual results in future periods to differ materially from any current opinions or statements.

Our future results could be affected by a variety of factors, such as: competitive dynamics in the consumer foods industry and the markets for our products, including new product introductions, advertising activities, pricing actions, and promotional activities of our competitors; economic conditions, including changes in inflation rates, interest rates, tax rates, or the availability of capital; product development and innovation; consumer

acceptance of new products and product improvements; consumer reaction to pricing actions and changes in promotion levels; acquisitions or dispositions of businesses or assets; changes in capital structure; changes in laws and regulations, including labeling and advertising regulations; impairments in the carrying value of goodwill, other intangible assets, or other long-lived assets, or changes in the useful lives of other intangible assets; changes in accounting standards and the impact of significant accounting estimates; product quality and safety issues, including recalls and product liability; changes in consumer demand for our products; effectiveness of advertising, marketing, and promotional programs; changes in consumer behavior, trends, and preferences, including weight loss trends; consumer perception of health-related issues, including obesity; consolidation in the retail environment; changes in purchasing and inventory levels of significant customers; fluctuations in the cost and availability of supply chain resources, including raw materials, packaging, and energy; disruptions or inefficiencies in the supply chain; volatility in the market value of derivatives used to manage price risk for certain commodities; benefit plan expenses due to changes in plan asset values and discount rates used to determine plan liabilities; failure of our information technology systems; foreign economic conditions, including currency rate fluctuations; and political unrest in foreign markets and economic uncertainty due to terrorism or war.

You should also consider the risk factors that we identify in Item 1A of our 2011 Form 10-K, which could also affect our future results.

We undertake no obligation to publicly revise any forward-looking statements to reflect events or circumstances after the date of those statements or to reflect the occurrence of anticipated or unanticipated events.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk stemming from changes in interest rates, foreign exchange rates, commodity prices, and equity prices. Changes in these factors could cause fluctuations in our earnings and cash flows. In the normal course of business, we actively manage our exposure to these market risks by entering into various hedging transactions, authorized under established policies that place clear controls on these activities. The counterparties in these transactions are generally highly rated institutions. We establish credit limits for each counterparty. Our hedging transactions include but are not limited to a variety of derivative financial instruments.

INTEREST RATE RISK

We are exposed to interest rate volatility with regard to future issuances of fixed-rate debt, and existing and future issuances of floating-rate debt. Primary exposures include U.S. Treasury rates, LIBOR, and commercial paper rates in the United States and Europe. We use interest rate swaps and forward-starting interest rate swaps to hedge our exposure to interest rate changes, to reduce the volatility of our financing costs, and to achieve a desired proportion of fixed versus floating-rate debt, based on current and projected market conditions. Generally under these swaps, we agree with a counterparty to exchange the difference between fixed-rate and floating-rate interest amounts based on an agreed upon notional principal amount.

As of May 29, 2011, we had interest rate swaps with \$1.3 billion of aggregate notional principal amount outstanding, with a net notional amount of \$838 million that converts floating-rate notes to fixed rates.

FOREIGN EXCHANGE RISK

Foreign currency fluctuations affect our net investments in foreign subsidiaries and foreign currency cash flows related to foreign-denominated commercial paper, third party purchases, intercompany loans, and product shipments. We are also exposed to the translation of foreign currency earnings to the U.S. dollar. Our principal exposures are to the Australian dollar, British pound sterling, Canadian dollar, Chinese renminbi, euro, Japanese yen, Swiss franc, and Mexican peso. We mainly use foreign currency forward contracts to selectively hedge our

foreign currency cash flow exposures. We also generally swap our foreign-denominated commercial paper borrowings and nonfunctional currency intercompany loans back to U.S. dollars or the functional currency; the gains or losses on these derivatives offset the foreign currency revaluation gains or losses recorded in earnings on the associated borrowings. We generally do not hedge more than 18 months forward.

We also have many net investments in foreign subsidiaries that are denominated in euros. We previously hedged a portion of these net investments by issuing euro-denominated commercial paper and foreign exchange forward contracts. As of May 29, 2011, we had deferred net foreign currency transaction losses of \$96 million in AOCI associated with hedging activity.

COMMODITY PRICE RISK

Many commodities we use in the production and distribution of our products are exposed to market price risks. We utilize derivatives to manage price risk for our principal ingredients and energy costs, including grains (oats, wheat, and corn), oils (principally soybean), non-fat dry milk, natural gas, and diesel fuel. Our primary objective when entering into these derivative contracts is to achieve certainty with regard to the future price of commodities purchased for use in our supply chain. We manage our exposures through a combination of purchase orders, long-term contracts with suppliers, exchange-traded futures and options, and over-the-counter options and swaps. We offset our exposures based on current and projected market conditions and generally seek to acquire the inputs at as close to our planned cost as possible.

As of May 29, 2011, the net notional value of commodity derivatives was \$348 million, of which \$161 million related to agricultural inputs and \$187 million related to energy inputs. These contracts relate to inputs that generally will be utilized within the next 12 months.

EQUITY INSTRUMENTS

Equity price movements affect our compensation expense as certain investments made by our employees in our deferred compensation plan are revalued. We occasionally use equity swaps to manage this risk, but no swaps were outstanding as of May 29, 2011.

VALUE AT RISK

The estimates in the table below are intended to measure the maximum potential fair value we could lose in one day from adverse changes in market interest rates, foreign exchange rates, commodity prices, and equity prices under normal market conditions. A Monte Carlo value-at-risk (VAR) methodology was used to quantify the market risk for our exposures. The models assumed normal market conditions and used a 95 percent confidence level.

The VAR calculation used historical interest rates, foreign exchange rates, and commodity and equity prices from the past year to estimate the potential volatility and correlation of these rates in the future. The market data were drawn from the RiskMetrics™ data set. The calculations are not intended to represent actual losses in fair value that we expect to incur. Further, since the hedging instrument (the derivative) inversely correlates with the underlying exposure, we would expect that any loss or gain in the fair value of our derivatives would be generally offset by an increase or decrease in the fair

value of the underlying exposure. The positions included in the calculations were: debt; investments; interest rate swaps; foreign exchange forwards; commodity swaps, futures and options; and equity instruments. The calculations do not include the underlying foreign exchange and commodities-related positions that are offset by these market-risk-sensitive instruments.

The table below presents the estimated maximum potential VAR arising from a one-day loss in fair value for our interest rate, foreign currency, commodity, and equity market-risk-sensitive instruments outstanding as of May 29, 2011, and May 30, 2010, and the average fair value impact during the year ended May 29, 2011.

In Millions	Fair Value Impact		
	May 29, 2011	Average During Fiscal 2011	May 30, 2010
Interest rate instruments	\$26.5	\$27.1	\$27.7
Foreign currency instruments	8.7	5.8	4.3
Commodity instruments	3.9	4.9	4.8

Reports of Management and Independent Registered Public Accounting Firm

REPORT OF MANAGEMENT RESPONSIBILITIES

The management of General Mills, Inc. is responsible for the fairness and accuracy of the consolidated financial statements. The statements have been prepared in accordance with accounting principles that are generally accepted in the United States, using management's best estimates and judgments where appropriate. The financial information throughout the Annual Report on Form 10-K is consistent with our consolidated financial statements.

Management has established a system of internal controls that provides reasonable assurance that assets are adequately safeguarded and transactions are recorded accurately in all material respects, in accordance with management's authorization. We maintain a strong audit program that independently evaluates the adequacy and effectiveness of internal controls. Our internal controls provide for appropriate separation of duties and responsibilities, and there are documented policies regarding use of our assets and proper financial reporting. These formally stated and regularly communicated policies demand highly ethical conduct from all employees.

The Audit Committee of the Board of Directors meets regularly with management, internal auditors, and our independent registered public accounting firm to review internal control, auditing, and financial reporting matters. The independent registered public accounting firm, internal auditors, and employees have full and free access to the Audit Committee at any time.

The Audit Committee reviewed and approved the Company's annual financial statements. The Audit Committee recommended, and the Board of Directors approved, that the consolidated financial statements be included in the Annual Report. The Audit Committee also appointed KPMG LLP to serve as the Company's independent registered public accounting firm for fiscal 2012, subject to ratification by the stockholders at the annual meeting.



K. J. Powell
Chairman of the Board
and Chief Executive Officer

July 8, 2011



D. L. Mulligan
Executive Vice President
and Chief Financial
Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
General Mills, Inc.:

We have audited the accompanying consolidated balance sheets of General Mills, Inc. and subsidiaries as of May 29, 2011, and May 30, 2010, and the related consolidated statements of earnings, total equity and comprehensive income, and cash flows for each of the fiscal years in the three-year period ended May 29, 2011. In connection with our audits of the consolidated financial statements, we have audited the accompanying financial statement schedule. We also have audited General Mills, Inc.'s internal control over financial reporting as of May 29, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). General Mills, Inc.'s management is responsible for these consolidated 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 Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our 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 consolidated 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 (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, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of General Mills, Inc. and subsidiaries as of May 29, 2011, and May 30, 2010, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended May 29, 2011, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the accompanying financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also in our opinion, General Mills, Inc. maintained, in all material respects, effective internal control over financial reporting as of May 29, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

KPMG LLP

Minneapolis, Minnesota

July 8, 2011

Consolidated Statements of Earnings

GENERAL MILLS, INC. AND SUBSIDIARIES

In Millions, Except per Share Data	Fiscal Year		
	2011	2010	2009
Net sales	\$ 14,880.2	\$ 14,635.6	\$ 14,555.8
Cost of sales	8,926.7	8,835.4	9,380.9
Selling, general, and administrative expenses	3,192.0	3,162.7	2,893.2
Divestitures (gain), net	(17.4)	—	(84.9)
Restructuring, impairment, and other exit costs	4.4	31.4	41.6
Operating profit	2,774.5	2,606.1	2,325.0
Interest, net	346.3	401.6	382.8
Earnings before income taxes and after-tax earnings from joint ventures	2,428.2	2,204.5	1,942.2
Income taxes	721.1	771.2	720.4
After-tax earnings from joint ventures	96.4	101.7	91.9
Net earnings, including earnings attributable to noncontrolling interests	1,803.5	1,535.0	1,313.7
Net earnings attributable to noncontrolling interests	5.2	4.5	9.3
Net earnings attributable to General Mills	\$ 1,798.3	\$ 1,530.5	\$ 1,304.4
Earnings per share - basic	\$ 2.80	\$ 2.32	\$ 1.96
Earnings per share - diluted	\$ 2.70	\$ 2.24	\$ 1.90
Dividends per share	\$ 1.12	\$ 0.96	\$ 0.86

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

GENERAL MILLS, INC. AND SUBSIDIARIES

In Millions, Except Par Value	May 29, 2011	May 30, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 619.6	\$ 673.2
Receivables	1,162.3	1,041.6
Inventories	1,609.3	1,344.0
Deferred income taxes	27.3	42.7
Prepaid expenses and other current assets	483.5	378.5
Total current assets	3,902.0	3,480.0
Land, buildings, and equipment	3,345.9	3,127.7
Goodwill	6,750.8	6,592.8
Other intangible assets	3,813.3	3,715.0
Other assets	862.5	763.4
Total assets	\$18,674.5	\$17,678.9
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 995.1	\$ 849.5
Current portion of long-term debt	1,031.3	107.3
Notes payable	311.3	1,050.1
Other current liabilities	1,321.5	1,762.2
Total current liabilities	3,659.2	3,769.1
Long-term debt	5,542.5	5,268.5
Deferred income taxes	1,127.4	874.6
Other liabilities	1,733.2	2,118.7
Total liabilities	12,062.3	12,030.9
Stockholders' equity:		
Common stock, 754.6 shares issued, \$0.10 par value	75.5	75.5
Additional paid-in capital	1,319.8	1,307.1
Retained earnings	9,191.3	8,122.4
Common stock in treasury, at cost, shares of 109.8 and 98.1	(3,210.3)	(2,615.2)
Accumulated other comprehensive loss	(1,010.8)	(1,486.9)
Total stockholders' equity	6,365.5	5,402.9
Noncontrolling interests	246.7	245.1
Total equity	6,612.2	5,648.0
Total liabilities and equity	\$18,674.5	\$17,678.9

See accompanying notes to consolidated financial statements.

Consolidated Statements of Total Equity and Comprehensive Income

GENERAL MILLS, INC. AND SUBSIDIARIES

In Millions, Except per Share Data	\$.10 Par Value Common Stock (One Billion Shares Authorized)					Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	Issued		Treasury						
	Shares	Par Amount	Additional Paid-In Capital	Shares	Amount				
Balance as of May 25, 2008	754.6	\$75.5	\$1,111.3	(79.6)	\$(1,658.4)	\$6,510.7	\$ 173.1	\$246.6	\$6,458.8
Comprehensive income:									
Net earnings, including earnings attributable to noncontrolling interests						1,304.4		9.3	1,313.7
Other comprehensive loss							(1,050.9)	(1.2)	(1,052.1)
Total comprehensive income									261.6
Cash dividends declared (\$0.86 per share)						(579.5)			(579.5)
Stock compensation plans (includes income tax benefits of \$94.0)			23.0	19.6	443.1				466.1
Shares purchased				(40.4)	(1,296.4)				(1,296.4)
Shares issued for acquisition			16.4	1.8	38.6				55.0
Unearned compensation related to restricted stock unit awards			(56.2)						(56.2)
Distributions to noncontrolling interest holders								(10.5)	(10.5)
Earned compensation			117.6						117.6
Balance as of May 31, 2009	754.6	75.5	1,212.1	(98.6)	(2,473.1)	7,235.6	(877.8)	244.2	5,416.5
Comprehensive income:									
Net earnings, including earnings attributable to noncontrolling interests						1,530.5		4.5	1,535.0
Other comprehensive income (loss)							(609.1)	0.2	(608.9)
Total comprehensive income									926.1
Cash dividends declared (\$0.96 per share)						(643.7)			(643.7)
Stock compensation plans (includes income tax benefits of \$114.0)			53.3	21.8	549.7				603.0
Shares purchased				(21.3)	(691.8)				(691.8)
Unearned compensation related to restricted stock unit awards			(65.6)						(65.6)
Distributions to noncontrolling interest holders								(3.8)	(3.8)
Earned compensation			107.3						107.3
Balance as of May 30, 2010	754.6	75.5	1,307.1	(98.1)	(2,615.2)	8,122.4	(1,486.9)	245.1	5,648.0
Comprehensive income:									
Net earnings, including earnings attributable to noncontrolling interests						1,798.3		5.2	1,803.5
Other comprehensive income							476.1	0.7	476.8
Total comprehensive income									2,280.3
Cash dividends declared (\$1.12 per share)						(729.4)			(729.4)
Stock compensation plans (includes income tax benefits of \$106.2)			(22.2)	20.1	568.4				546.2
Shares purchased				(31.8)	(1,163.5)				(1,163.5)
Unearned compensation related to restricted stock unit awards			(70.4)						(70.4)
Distributions to noncontrolling interest holders								(4.3)	(4.3)
Earned compensation			105.3						105.3
Balance as of May 29, 2011	754.6	\$75.5	\$1,319.8	(109.8)	\$(3,210.3)	\$9,191.3	\$(1,010.8)	\$246.7	\$6,612.2

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

GENERAL MILLS, INC. AND SUBSIDIARIES

In Millions	Fiscal Year		
	2011	2010	2009
Cash Flows - Operating Activities			
Net earnings, including earnings attributable to noncontrolling interests	\$ 1,803.5	\$ 1,535.0	\$ 1,313.7
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	472.6	457.1	453.6
After-tax earnings from joint ventures	(96.4)	(101.7)	(91.9)
Stock-based compensation	105.3	107.3	117.7
Deferred income taxes	205.3	22.3	215.8
Tax benefit on exercised options	(106.2)	(114.0)	(89.1)
Distributions of earnings from joint ventures	72.7	88.0	68.5
Pension and other postretirement benefit plan contributions	(220.8)	(17.2)	(220.3)
Pension and other postretirement benefit plan expense (income)	73.6	(37.9)	(27.5)
Divestitures (gain), net	(17.4)	—	(84.9)
Gain on insurance settlement	—	—	(41.3)
Restructuring, impairment, and other exit costs (income)	(1.3)	23.4	31.3
Changes in current assets and liabilities	(720.9)	143.4	176.9
Other, net	(43.2)	75.5	5.7
Net cash provided by operating activities	1,526.8	2,181.2	1,828.2
Cash Flows - Investing Activities			
Purchases of land, buildings, and equipment	(648.8)	(649.9)	(562.6)
Acquisitions	(123.3)	—	—
Investments in affiliates, net	(1.8)	(130.7)	5.9
Proceeds from disposal of land, buildings, and equipment	4.1	7.4	4.1
Proceeds from divestiture of product lines	34.4	—	244.7
Proceeds from insurance settlement	—	—	41.3
Other, net	20.3	52.0	(22.3)
Net cash used by investing activities	(715.1)	(721.2)	(288.9)
Cash Flows - Financing Activities			
Change in notes payable	(742.6)	235.8	(1,390.5)
Issuance of long-term debt	1,200.0	—	1,850.0
Payment of long-term debt	(7.4)	(906.9)	(370.3)
Proceeds from common stock issued on exercised options	410.4	388.8	305.2
Tax benefit on exercised options	106.2	114.0	89.1
Purchases of common stock for treasury	(1,163.5)	(691.8)	(1,296.4)
Dividends paid	(729.4)	(643.7)	(579.5)
Other, net	(10.3)	—	(12.1)
Net cash used by financing activities	(936.6)	(1,503.8)	(1,404.5)
Effect of exchange rate changes on cash and cash equivalents	71.3	(32.8)	(46.0)
Increase (decrease) in cash and cash equivalents	(53.6)	(76.6)	88.8
Cash and cash equivalents - beginning of year	673.2	749.8	661.0
Cash and cash equivalents - end of year	\$ 619.6	\$ 673.2	\$ 749.8
Cash Flow from Changes in Current Assets and Liabilities:			
Receivables	\$ (69.8)	\$ (121.1)	\$ 81.8
Inventories	(240.0)	(16.7)	(28.1)
Prepaid expenses and other current assets	(96.0)	53.5	30.2
Accounts payable	109.0	69.6	(116.4)
Other current liabilities	(424.1)	158.1	209.4
Changes in current assets and liabilities	\$ (720.9)	\$ 143.4	\$ 176.9

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

GENERAL MILLS, INC. AND SUBSIDIARIES

NOTE 1. BASIS OF PRESENTATION AND RECLASSIFICATIONS

Income Statement Classifications At the beginning of fiscal 2011, we revised the classification of certain revenues and expenses to better align our income statement line items with how we manage our business. We have revised the classification of amounts previously reported in our Consolidated Statements of Earnings to conform to our fiscal 2011 presentation. These revised classifications had no effect on previously reported net earnings attributable to General Mills or earnings per share. These changes include:

- Revising the classification of certain customer logistics allowances as a reduction of net sales (previously recorded as cost of sales). The impact of this change was a decrease in net sales of \$160.9 million in fiscal 2010 and \$157.5 million in fiscal 2009 and a corresponding decrease to cost of sales in each of the years.

- Revising the classification of certain promotion-related costs, customer allowances, and supply chain costs as cost of sales or selling, general, and administrative (SG&A) expenses (previously recorded as a reduction of net sales or SG&A expenses). The impact of these changes was an increase to net sales of \$22.0 million in fiscal 2009; an increase to cost of sales of \$73.4 million in fiscal 2010 and \$80.6 million in fiscal 2009; and a decrease to SG&A expenses of \$73.4 million in fiscal 2010 and \$58.6 million in fiscal 2009.

- Shifting allocation of certain SG&A expenses, primarily stock-based compensation, between segment operating profit and unallocated corporate items. The impact of this change was a decrease to segment operating profit of \$20.8 million in fiscal 2010 and \$18.9 million in fiscal 2009 and a corresponding decrease in unallocated corporate items.

- Shifting sales responsibility for a customer from our Bakeries and Foodservice segment to our U.S. Retail segment. Net sales of \$9.8 million in fiscal 2010 and \$15.0 million in fiscal 2009 and segment operating profit of \$4.1 million in fiscal 2010 and \$6.4 million in fiscal 2009 previously recorded in our Bakeries and Foodservice segment have now been reported in the U.S. Retail segment.

In addition, certain other reclassifications to our previously reported financial information have been made to conform to the current period presentation.

Basis of Presentation Our Consolidated Financial Statements include the accounts of General Mills, Inc. and all subsidiaries in which we have a controlling financial interest. Intercompany transactions and accounts are eliminated in consolidation.

Our fiscal year ends on the last Sunday in May, except for our operations in Europe and China, which have an April year-end. Fiscal 2011 and 2010 each consisted of 52 weeks, and fiscal 2009 consisted of 53 weeks.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents We consider all investments purchased with an original maturity of three months or less to be cash equivalents.

Inventories All inventories in the United States other than grain are valued at the lower of cost, using the last-in, first-out (LIFO) method, or market. Grain inventories and all related cash contracts and derivatives are valued at market with all net changes in value recorded in earnings currently.

Inventories outside of the United States are valued at the lower of cost, using the first-in, first-out (FIFO) method, or market.

Shipping costs associated with the distribution of finished product to our customers are recorded as cost of sales, and are recognized when the related finished product is shipped to and accepted by the customer.

Land, Buildings, Equipment, and Depreciation Land is recorded at historical cost. Buildings and equipment, including capitalized interest and internal engineering costs, are recorded at cost and depreciated over estimated useful lives, primarily using the straight-line method. Ordinary maintenance and repairs are charged to cost of sales. Buildings are usually depreciated over 40 to 50 years, and equipment, furniture, and software are usually depreciated over 3 to 10 years. Fully depreciated assets are retained in buildings and equipment until disposal. When an item is sold or retired, the accounts are relieved of its cost and related accumulated depreciation and the resulting gains and losses, if any, are recognized in earnings. As of May 29, 2011, assets held for sale were insignificant.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (or asset group) may

not be recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows from the operation and disposition of the asset group are less than the carrying amount of the asset group. Asset groups have identifiable cash flows and are largely independent of other asset groups. Measurement of an impairment loss would be based on the excess of the carrying amount of the asset group over its fair value. Fair value is measured using a discounted cash flow model or independent appraisals, as appropriate.

Goodwill and Other Intangible Assets Goodwill is not subject to amortization and is tested for impairment annually and whenever events or changes in circumstances indicate that impairment may have occurred. Impairment testing is performed for each of our reporting units. We compare the carrying value of a reporting unit, including goodwill, to the fair value of the unit. Carrying value is based on the assets and liabilities associated with the operations of that reporting unit, which often requires allocation of shared or corporate items among reporting units. If the carrying amount of a reporting unit exceeds its fair value, we revalue all assets and liabilities of the reporting unit, excluding goodwill, to determine if the fair value of the net assets is greater than the net assets including goodwill. If the fair value of the net assets is less than the carrying amount of net assets including goodwill, impairment has occurred. Our estimates of fair value are determined based on a discounted cash flow model. Growth rates for sales and profits are determined using inputs from our annual long-range planning process. We also make estimates of discount rates, perpetuity growth assumptions, market comparables, and other factors. We performed our fiscal 2011 assessment as of November 29, 2010, and determined there was no impairment of goodwill for any of our reporting units as their related fair values were substantially in excess of their carrying values.

We evaluate the useful lives of our other intangible assets, mainly brands, to determine if they are finite or indefinite-lived. Reaching a determination on useful life requires significant judgments and assumptions regarding the future effects of obsolescence, demand, competition, other economic factors (such as the stability of the industry, known technological advances, legislative action that results in an uncertain or changing regulatory environment, and expected changes in distribution channels), the level of required maintenance

expenditures, and the expected lives of other related groups of assets.

Our indefinite-lived intangible assets, mainly intangible assets primarily associated with the *Pillsbury*, *Totino's*, *Progreso*, *Green Giant*, *Old El Paso*, and *Häagen-Dazs* brands, are also tested for impairment annually and whenever events or changes in circumstances indicate that their carrying value may not be recoverable. We performed our fiscal 2011 assessment of our brand intangibles as of November 29, 2010. Our estimate of the fair value of the brands was based on a discounted cash flow model using inputs which included: projected revenues from our annual long-range plan; assumed royalty rates that could be payable if we did not own the brands; and a discount rate. As of our assessment date, there was no impairment of any of our indefinite-lived intangible assets as their related fair values were substantially in excess of the carrying values.

Investments in Joint Ventures Our investments in companies over which we have the ability to exercise significant influence are stated at cost plus our share of undistributed earnings or losses. We receive royalty income from certain joint ventures, incur various expenses (primarily research and development), and record the tax impact of certain joint venture operations that are structured as partnerships. In addition, we make advances to our joint ventures in the form of loans or capital investments. We also sell certain raw materials, semi-finished goods, and finished goods to the joint ventures, generally at market prices.

In addition, we assess our investments in our joint ventures if we have reason to believe an impairment may have occurred including, but not limited to, ongoing operating losses, projected decreases in earnings, increases in the weighted average cost of capital or significant business disruptions. The significant assumptions used to estimate fair value include revenue growth and profitability, royalty rates, capital spending, depreciation and taxes, foreign currency exchange rates and a discount rate. By their nature, these projections and assumptions are uncertain. If we were to determine the current fair value of our investment was less than the carrying value of the investment, then we would assess if the shortfall was of a temporary or permanent nature and write down the investment to its fair value if we concluded the impairment is other than temporary. After the earthquakes and tsunami in Japan in March 2011, we assessed the fair value of our investment in

Häagen-Dazs Japan and determined that it exceeded the carrying value by approximately 5 percent.

Variable Interest Entities As of May 29, 2011, we had invested in six variable interest entities (VIEs). We determined whether or not we were the primary beneficiary (PB) of each VIE using a qualitative assessment that considered the VIE's purpose and design, the involvement of each of the interest holders, and the risks and benefits of the VIE. We have an interest in a contract manufacturer at our former facility in Geneva, Illinois. We are the PB and have consolidated this entity. This entity had property and equipment with a carrying value of \$13.6 million and long-term debt of \$15.0 million as of May 29, 2011. The liabilities recognized as a result of consolidating this entity do not represent additional claims on our general assets. The remaining five VIEs, two of which we are not the PB, are not material to our results of operations, financial condition, or liquidity as of and for the year ended May 29, 2011. We provided minimal financial or other support to VIEs during fiscal 2011 and there are no arrangements related to VIEs that would require us to provide significant financial support in the future.

Revenue Recognition We recognize sales revenue when the shipment is accepted by our customer. Sales include shipping and handling charges billed to the customer and are reported net of consumer coupon redemption, trade promotion and other costs, including estimated allowances for returns, unsalable product, and prompt pay discounts. Sales, use, value-added, and other excise taxes are not recognized in revenue. Coupons are recorded when distributed, based on estimated redemption rates. Trade promotions are recorded based on estimated participation and performance levels for offered programs at the time of sale. We generally do not allow a right of return. However, on a limited case-by-case basis with prior approval, we may allow customers to return product. In limited circumstances, product returned in saleable condition is resold to other customers or outlets. Receivables from customers generally do not bear interest. Terms and collection patterns vary around the world and by channel. The allowance for doubtful accounts represents our estimate of probable non-payments and credit losses in our existing receivables, as determined based on a review of past due balances and other specific account data. Account balances

are written off against the allowance when we deem the amount is uncollectible.

Environmental Environmental costs relating to existing conditions caused by past operations that do not contribute to current or future revenues are expensed. Liabilities for anticipated remediation costs are recorded on an undiscounted basis when they are probable and reasonably estimable, generally no later than the completion of feasibility studies or our commitment to a plan of action.

Advertising Production Costs We expense the production costs of advertising the first time that the advertising takes place.

Research and Development All expenditures for research and development (R&D) are charged against earnings in the year incurred. R&D includes expenditures for new product and manufacturing process innovation, and the annual expenditures are comprised primarily of internal salaries, wages, consulting, and other supplies attributable to time spent on R&D activities. Other costs include depreciation and maintenance of research facilities, including assets at facilities that are engaged in pilot plant activities.

Foreign Currency Translation For all significant foreign operations, the functional currency is the local currency. Assets and liabilities of these operations are translated at the period-end exchange rates. Income statement accounts are translated using the average exchange rates prevailing during the year. Translation adjustments are reflected within accumulated other comprehensive loss (AOCI) in stockholders' equity. Gains and losses from foreign currency transactions are included in net earnings for the period, except for gains and losses on investments in subsidiaries for which settlement is not planned for the foreseeable future and foreign exchange gains and losses on instruments designated as net investment hedges. These gains and losses are recorded in AOCI.

Derivative Instruments All derivatives are recognized on the Consolidated Balance Sheets at fair value based on quoted market prices or our estimate of their fair value, and are recorded in either current or noncurrent assets or liabilities based on their maturity. Changes in the fair values of derivatives are recorded in net earnings or other comprehensive income, based on whether the

instrument is designated and effective as a hedge transaction and, if so, the type of hedge transaction. Gains or losses on derivative instruments reported in AOCI are reclassified to earnings in the period the hedged item affects earnings. If the underlying hedged transaction ceases to exist, any associated amounts reported in AOCI are reclassified to earnings at that time. Any ineffectiveness is recognized in earnings in the current period.

Stock-based Compensation We generally measure compensation expense for grants of restricted stock units using the value of a share of our stock on the date of grant. We estimate the value of stock option grants using the Black-Scholes valuation model. Stock compensation is recognized straight line over the vesting period. Our stock compensation expense is recorded in SG&A and cost of sales in the Consolidated Statements of Earnings and allocated to each reportable segment in our segment results.

Certain equity-based compensation plans contain provisions that accelerate vesting of awards upon retirement, disability, or death of eligible employees and directors. We consider a stock-based award to be vested when the employee's retention of the award is no longer contingent on providing subsequent service. Accordingly, the related compensation cost is recognized 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.

We report the benefits of tax deductions in excess of recognized compensation cost as a financing cash flow, thereby reducing net operating cash flows and increasing net financing cash flows.

Defined Benefit Pension, Other Postretirement, and Postemployment Benefit Plans We sponsor several domestic and foreign defined benefit plans to provide pension, health care, and other welfare benefits to retired employees. Under certain circumstances, we also provide accruable benefits to former or inactive employees in the United States and Canada and members of our Board of Directors, including severance and certain other benefits payable upon death. We recognize an obligation for any of these benefits that vest or accumulate with service. Postemployment benefits that do not vest or accumulate with service (such as severance based solely on annual pay rather than years of service) are charged to expense

when incurred. Our postemployment benefit plans are unfunded.

We recognize the underfunded or overfunded status of a defined benefit postretirement plan as an asset or liability and recognize changes in the funded status in the year in which the changes occur through AOCI.

Use of Estimates Preparing our Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates include our accounting for promotional expenditures, valuation of long-lived assets, intangible assets, stock-based compensation, income taxes, and defined benefit pension, post-retirement and post-employment benefits. Actual results could differ from our estimates.

Other New Accounting Standards In fiscal 2011, we adopted new accounting guidance on the consolidation model for VIE's. The guidance requires companies to qualitatively assess the determination of the primary beneficiary of a VIE based on whether the company (1) has the power to direct matters that most significantly impact the VIE's economic performance, and (2) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The adoption of the guidance did not have an impact on our results of operations or financial condition.

In fiscal 2010, we adopted new accounting guidance on employer's disclosures for post-retirement benefit plan assets. The guidance requires an employer to disclose information on the investment policies and strategies and the significant concentrations of risk in plan assets. An employer must also disclose the fair value of each major category of plan assets as of each annual reporting date together with the information on the inputs and valuation techniques used to develop such fair value measurements. The adoption of the guidance did not have an impact on our results of operations or financial condition. See [Note 13](#).

In fiscal 2010, we adopted new accounting guidance on accounting for equity method investments. The guidance addresses the impact of the issuance of the non-controlling interests and business combination guidance

on accounting for equity method investments. The adoption of the guidance did not have a material impact on our results of operations or financial condition.

In fiscal 2010, we adopted new accounting guidance issued to assist in determining whether instruments granted in share-based payment transactions are participating securities. The guidance provides 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 EPS pursuant to the two-class method. The adoption of the guidance did not have a material impact on our basic or diluted EPS.

In fiscal 2010, we adopted new accounting guidance on convertible debt instruments. The guidance requires issuers to account separately for the liability and equity components of convertible debt instruments that may be settled in cash or other assets. The adoption of the guidance did not have a material impact on our results of operations or financial condition.

NOTE 3. ACQUISITIONS AND DIVESTITURES

During the third quarter of fiscal 2011, we acquired the Mountain High yoghurt business for \$84.8 million. We recorded the purchase price less the fair value of tangible and intangible net assets acquired as goodwill of \$44.6 million. During the fourth quarter of fiscal 2011, we acquired the Pasta Master meals business in Australia for \$38.5 million. We recorded the purchase price less the fair value of tangible and intangible net assets acquired as goodwill of \$26.9 million. The pro forma effects of these acquisitions were not material.

During the third quarter of fiscal 2011, we sold a foodservice frozen baked goods product line in our International segment for \$24.9 million in cash and recorded a pre-tax gain of \$14.3 million. In addition, during the fourth quarter of fiscal 2011, we sold a pie shell product line in our Bakeries and Foodservice segment for cash proceeds of \$9.5 million and recorded a pre-tax gain of \$3.1 million.

During the fourth quarter of fiscal 2011, we entered into definitive agreements with PAI Partners and Sodiaal International to purchase a 51 percent controlling interest in Yoplait S.A.S. and a 50 percent interest in Yoplait Marques S.A.S. for an aggregate purchase price of \$1.2 billion. Yoplait S.A.S. operates yogurt businesses in several countries, including France and the United Kingdom, and oversees franchise relationships around

the world. Yoplait Marques S.A.S. holds the worldwide rights to *Yoplait* and related trademarks. We finalized this transaction on July 1, 2011. The pro forma effects of this acquisition were not material.

There were no acquisitions or divestitures in fiscal 2010.

In fiscal 2009, we sold our bread concentrates product line within our Bakeries and Foodservice segment, including a plant in Cedar Rapids, Iowa, for \$8.3 million in cash. We recorded a pre-tax loss of \$5.6 million on the transaction. We also sold a portion of the assets of the frozen unbaked bread dough product line within our Bakeries and Foodservice segment, including plants in Bakersfield, California; Hazleton, Pennsylvania; Montreal, Canada; and Vinita, Oklahoma, for \$43.9 million in cash, an \$11.9 million note receivable, and contingent future payments based on the post-sale performance of the product line. Certain assets sold were shared with a frozen dinner roll product line within our U.S. Retail segment, and we exited this product line as a result of the asset sale. We recorded a pre-tax loss of \$38.3 million. In fiscal 2010, we recorded cash proceeds of \$3.2 million related to the repayment of the note. In fiscal 2009, we sold our *Pop-Secret* microwave popcorn product line from our U.S. Retail segment for \$192.5 million in cash, and we recorded a pre-tax gain of \$128.8 million. We received cash proceeds of \$158.9 million after repayment of a lease obligation and transaction costs. In fiscal 2009, we also acquired Humm Foods, Inc. (Humm Foods), the maker of *Lärabar* fruit and nut energy bars. We issued 1.8 million shares of our common stock with a value of \$55.0 million to the shareholders of Humm Foods as consideration for the acquisition. We recorded the purchase price less tangible and intangible net assets acquired as goodwill of \$41.6 million. The pro forma effect of this acquisition was not material.

NOTE 4. RESTRUCTURING, IMPAIRMENT, AND OTHER EXIT COSTS

We view our restructuring activities as a way to meet our long-term growth targets. Activities we undertake must meet internal rate of return and net present value targets. Each restructuring action normally takes one to two years to complete. At completion (or as each major stage is completed in the case of multi-year programs), the project begins to deliver cash savings and/or reduced depreciation. These activities result in various restructuring costs, including asset write-offs, exit charges

including severance, contract termination fees, and decommissioning and other costs. Depreciation associated with restructured assets, as used in the context of our disclosures regarding restructuring activity, refers to the increase in depreciation expense caused by shortening the useful life or updating the salvage value of depreciable fixed assets to coincide with the end of production under an approved restructuring plan. Any impairment of the asset is recognized immediately in the period the plan is approved.

In fiscal 2011, we recorded restructuring, impairment, and other exit costs pursuant to approved plans as follows:

Expense, in Millions

Discontinuation of underperforming product line in our U.S. Retail segment	\$1.7
Charges associated with restructuring actions previously announced	2.7
Total	\$4.4

In fiscal 2011, we decided to exit an underperforming product line in our U.S. Retail segment. As a result of this decision, we concluded that the future cash flows generated by this product line were insufficient to recover the net book value of the associated long-lived assets. Accordingly, we recorded a non-cash charge of \$1.7 million related to the impairment of the associated long-lived assets. No employees were affected by these actions. In addition, we recorded \$2.7 million of charges associated with restructuring actions previously announced. In fiscal 2011, we paid \$5.9 million in cash related to restructuring actions taken in fiscal 2011 and previous years.

In fiscal 2010, we recorded restructuring, impairment, and other exit costs pursuant to approved plans as follows:

Expense (Income), in Millions

Discontinuation of kids' refrigerated yogurt beverage and microwave soup product lines	\$24.1
Discontinuation of the breadcrumbs product line at Federalsburg, Maryland plant	6.2
Sale of Contagem, Brazil bread and pasta plant	(0.6)
Charges associated with restructuring actions previously announced	1.7
Total	\$31.4

In fiscal 2010, we decided to exit our kids' refrigerated yogurt beverage product line at our Murfreesboro, Tennessee plant and our microwave soup product line at our Vineland, New Jersey plant to rationalize capacity for more profitable items. Our decisions to exit these U.S. Retail segment products resulted in a \$24.1 million non-cash charge against the related long-lived assets. No employees were affected by these actions. We also decided to exit our breadcrumbs product line at our Federalsburg, Maryland facility in our Bakeries and Foodservice segment. As a result of this decision, we concluded that the future cash flows generated by these products were insufficient to recover the net book value of the associated long-lived assets. Accordingly, we recorded a non-cash charge of \$6.2 million primarily related to the impairment of these long-lived assets and in the fourth quarter of fiscal 2010, we sold our breadcrumbs manufacturing facility in Federalsburg for \$2.9 million. In fiscal 2010, we also recorded a \$0.6 million net gain on the sale of our previously closed Contagem, Brazil bread and pasta plant for cash proceeds of \$5.9 million, and recorded \$1.7 million of costs related to previously announced restructuring actions. In fiscal 2010, we paid \$8.0 million in cash related to restructuring actions taken in fiscal 2010 and previous years.

In fiscal 2009, we recorded restructuring, impairment, and other exit costs pursuant to approved plans as follows:

Expense, in Millions

Closure of Contagem, Brazil bread and pasta plant	\$16.8
Discontinuation of product line at Murfreesboro, Tennessee plant	8.3
Charges associated with restructuring actions previously announced	16.5
Total	\$41.6

The roll forward of our restructuring and other exit cost reserves, included in other current liabilities, is as follows:

In Millions	Severance	Contract Termination	Other Exit Costs	Total
Reserve balance as of				
May 25, 2008	\$ 7.6	\$ —	\$ 0.3	\$ 7.9
2009 charges, including				
foreign currency translation	5.5	10.3	—	15.8
Utilized in 2009	(4.7)	—	(0.2)	(4.9)
Reserve balance as of				
May 31, 2009	8.4	10.3	0.1	18.8
2010 charges, including				
foreign currency translation	0.2	0.8	—	1.0
Utilized in 2010	(6.0)	(3.0)	—	(9.0)
Reserve balance as of				
May 30, 2010	2.6	8.1	0.1	10.8
2011 charges, including				
foreign currency translation	—	—	—	—
Utilized in 2011	(0.9)	(2.6)	(0.1)	(3.6)
Reserve balance as of				
May 29, 2011	\$ 1.7	\$ 5.5	\$ —	\$ 7.2

The charges recognized in the roll forward of our reserves for restructuring and other exit costs do not include items charged directly to expense (e.g., asset impairment charges, the gain or loss on the sale of restructured assets, and the write-off of spare parts) and other periodic exit costs recognized as incurred, as those items are not reflected in our restructuring and other exit cost reserves on our Consolidated Balance Sheets.

NOTE 5. INVESTMENTS IN JOINT VENTURES

We have a 50 percent equity interest in Cereal Partners Worldwide (CPW), which manufactures and markets ready-to-eat cereal products in more than 130 countries and republics outside the United States and Canada. CPW also markets cereal bars in several European countries and manufactures private label cereals for customers in the United Kingdom. We have guaranteed a portion of CPW's debt and its pension obligation in the United Kingdom.

We also have a 50 percent equity interest in Häagen-Dazs Japan, Inc. (HDJ). This joint venture manufactures, distributes, and markets *Häagen-Dazs* ice cream products and frozen novelties.

Results from our CPW and HDJ joint ventures are reported for the 12 months ended March 31.

Joint venture balance sheet activity follows:

In Millions	May 29, 2011	May 30, 2010
Cumulative investments	\$519.1	\$398.1
Goodwill and other intangibles	597.1	512.6
Aggregate advances	293.3	238.2

Joint venture earnings and cash flow activity follows:

In Millions	Fiscal Year		
	2011	2010	2009
Sales to joint ventures	\$10.2	\$ 10.7	\$14.2
Net advances (repayments)	1.8	128.1	(8.2)
Dividends received	72.7	88.0	68.5

Summary combined financial information for the joint ventures on a 100 percent basis follows:

In Millions	Fiscal Year		
	2011	2010	2009
Net sales	\$2,444.9	\$2,360.0	\$2,280.0
Gross margin	1,066.3	1,053.2	873.5
Earnings before income taxes	233.4	251.2	234.7
Earnings after income taxes	164.2	202.3	175.3

In Millions	May 29, 2011	May 30, 2010
	Current assets	\$ 904.7
Noncurrent assets	1,138.0	907.3
Current liabilities	1,690.1	1,322.0
Noncurrent liabilities	103.3	112.1

**NOTE 6. GOODWILL AND OTHER
INTANGIBLE ASSETS**

The components of goodwill and other intangible assets are as follows:

In Millions	May 29, 2011	May 30, 2010
Goodwill	\$6,750.8	\$6,592.8
Other intangible assets:		
Intangible assets not subject to amortization:		
Brands	3,771.7	3,679.6
Intangible assets subject to amortization:		
Patents, trademarks, and other finite-lived intangibles	69.2	54.4
Less accumulated amortization	(27.6)	(19.0)
Intangible assets subject to amortization	41.6	35.4
Other intangible assets	3,813.3	3,715.0
Total	\$10,564.1	\$10,307.8

The changes in the carrying amount of goodwill for fiscal 2009, 2010, and 2011 are as follows:

In Millions	U.S. Retail	International	Bakeries and Foodservice	Joint Ventures	Total
Balance as of					
May 25, 2008	\$5,107.0	\$146.4	\$955.7	\$577.0	\$6,786.1
Acquisition	41.6	—	—	—	41.6
Divestitures	(17.8)	(0.1)	(23.7)	—	(41.6)
Deferred tax adjustment related to divestitures	(46.5)	(4.5)	(12.8)	—	(63.8)
Deferred tax adjustment resulting from change in acquisition-related income tax liabilities	14.0	1.3	3.8	—	19.1
Other activity, primarily foreign currency translation	—	(19.8)	—	(58.6)	(78.4)
Balance as of					
May 31, 2009	5,098.3	123.3	923.0	518.4	6,663.0
Other activity, primarily foreign currency translation	—	(1.3)	—	(68.9)	(70.2)
Balance as of					
May 30, 2010	5,098.3	122.0	923.0	449.5	6,592.8
Acquisitions	44.6	26.9	—	—	71.5
Divestitures	—	(0.5)	(1.9)	—	(2.4)
Other activity, primarily foreign currency translation	—	14.2	—	74.7	88.9
Balance as of					
May 29, 2011	\$5,142.9	\$162.6	\$921.1	\$524.2	\$6,750.8

The changes in the carrying amount of other intangible assets for fiscal 2009, 2010, and 2011 are as follows:

In Millions	U.S. Retail	International	Joint Ventures	Total
Balance as of				
May 25, 2008	\$3,175.2	\$518.8	\$83.2	\$3,777.2
Acquisition	19.4	—	—	19.4
Other activity, primarily foreign				
currency translation	14.3	(56.2)	(7.7)	(49.6)
Balance as of				
May 31, 2009	3,208.9	462.6	75.5	3,747.0
Other activity, primarily foreign				
currency translation	(2.3)	(17.3)	(12.4)	(32.0)
Balance as of				
May 30, 2010	3,206.6	445.3	63.1	3,715.0
Acquisitions	39.3	6.0	—	45.3
Other activity, primarily foreign				
currency translation	(3.4)	46.6	9.8	53.0
Balance as of				
May 29, 2011	\$ 3,242.5	\$497.9	\$72.9	\$3,813.3

NOTE 7. FINANCIAL INSTRUMENTS, RISK MANAGEMENT ACTIVITIES, AND FAIR VALUES

Financial Instruments

The carrying values of cash and cash equivalents, receivables, accounts payable, other current liabilities, and notes payable approximate fair value. Marketable securities are carried at fair value. As of May 29, 2011, and May 30, 2010, a comparison of cost and market values of our marketable debt and equity securities is as follows:

In Millions	Cost		Market Value		Gross Gains		Gross Losses	
	Fiscal Year		Fiscal Year		Fiscal Year		Fiscal Year	
	2011	2010	2011	2010	2011	2010	2011	2010
Available for sale:								
Debt securities	\$ 8.9	\$11.8	\$ 9.0	\$11.9	\$0.1	\$0.1	\$—	\$—
Equity securities	2.0	6.1	6.0	15.5	4.0	9.4	—	—
Total	\$10.9	\$17.9	\$15.0	\$27.4	\$4.1	\$9.5	\$—	\$—

Earnings include \$10.5 million of realized gains from sales of available-for-sale marketable securities. Gains and losses are determined by specific identification. Classification of marketable securities as current or non-current is dependent upon our intended holding period, the security's maturity date, or both. The aggregate unrealized gains and losses on available-for-sale securities, net of tax effects, are classified in AOCI within stockholders' equity. Scheduled maturities of our marketable securities are as follows:

In Millions	Available for Sale	
	Cost	Market Value
Under 1 year (current)	\$ 2.7	\$ 2.7
From 1 to 3 years	0.7	0.7
From 4 to 7 years	5.2	5.3
Over 7 years	0.3	0.3
Equity securities	2.0	6.0
Total	\$10.9	\$15.0

Marketable securities with a market value of \$2.3 million as of May 29, 2011, were pledged as collateral for certain derivative contracts.

The fair value and carrying amount of long-term debt, including the current portion, were \$7,164.5 million and \$6,573.8 million as of May 29, 2011. The fair value of long-term debt was estimated using market quotations and discounted cash flows based on our current incremental borrowing rates for similar types of instruments.

Risk Management Activities

As a part of our ongoing operations, we are exposed to market risks such as changes in interest rates, foreign currency exchange rates, and commodity prices. To manage these risks, we may enter into various derivative transactions (e.g., futures, options, and swaps) pursuant to our established policies.

Commodity Price Risk

Many commodities we use in the production and distribution of our products are exposed to market price risks. We utilize derivatives to manage price risk for our principal ingredients and energy costs, including grains (oats, wheat, and corn), oils (principally soybean), non-fat dry milk, natural gas, and diesel fuel. Our primary objective when entering into these derivative contracts is to achieve certainty with regard to the future price of commodities purchased for use in our supply chain. We manage our exposures through a combination of purchase orders, long-term contracts with suppliers, exchange-traded futures and options, and over-the-counter options and swaps. We offset our exposures based on current and projected market conditions and generally seek to acquire the inputs at as close to our planned cost as possible.

We use derivatives to manage our exposure to changes in commodity prices. We do not perform the assessments required to achieve hedge accounting for commodity derivative positions. Accordingly, the changes in the values of these derivatives are recorded currently in cost of sales in our Consolidated Statements of Earnings.

Although we do not meet the criteria for cash flow hedge accounting, we nonetheless believe that these instruments are effective in achieving our objective of providing certainty in the future price of commodities purchased for use in our supply chain. Accordingly, for purposes of measuring segment operating performance these gains and losses are reported in unallocated corporate items outside of segment operating results until such time that the exposure we are managing affects earnings. At that time we reclassify the gain or loss from unallocated corporate items to segment operating profit, allowing our operating segments to realize the economic effects of the derivative without experiencing any resulting mark-to-market volatility, which remains in unallocated corporate items.

Unallocated corporate items for fiscal 2011 and fiscal 2010 included:

In Millions	Fiscal Year		
	2011	2010	2009
Net gain (loss) on mark-to-market valuation of commodity positions	\$160.3	\$(54.7)	\$(249.6)
Net loss (gain) on commodity positions reclassified from unallocated corporate items to segment operating profit	(93.6)	55.7	134.8
Net mark-to-market revaluation of certain grain inventories	28.5	(8.1)	(4.1)
Net mark-to-market valuation of certain commodity positions recognized in unallocated corporate items	\$ 95.2	\$ (7.1)	\$(118.9)

As of May 29, 2011, the net notional value of commodity derivatives was \$347.5 million, of which \$160.7 million related to agricultural inputs and \$186.8 million related to energy inputs. These contracts relate to inputs that generally will be utilized within the next 12 months.

Interest Rate Risk

We are exposed to interest rate volatility with regard to future issuances of fixed-rate debt, and existing and future issuances of floating-rate debt. Primary exposures include U.S. Treasury rates, LIBOR, and commercial paper rates in the United States and Europe. We use interest rate swaps and forward-starting interest rate swaps to hedge our exposure to interest rate changes, to reduce the volatility of our financing costs, and to achieve a desired proportion of fixed versus floating-rate debt, based on current and projected market conditions. Generally under these swaps, we agree with a counterparty to exchange the difference between fixed-rate and floating-rate interest amounts based on an agreed upon notional principal amount.

Floating Interest Rate Exposures —Floating-to-fixed interest rate swaps are accounted for as cash flow hedges, as are all hedges of forecasted issuances of debt. Effectiveness is assessed based on either the perfectly effective hypothetical derivative method or changes in the present value of interest payments on the underlying debt. Effective gains and losses deferred to AOCI are reclassified into earnings over the life of the associated debt. Ineffective gains and losses are recorded as net interest. The amount of hedge ineffectiveness was less than \$1 million in each of fiscal 2011, 2010 and 2009.

Fixed Interest Rate Exposures — Fixed-to-floating interest rate swaps are accounted for as fair value hedges with effectiveness assessed based on changes in the fair value of the underlying debt and derivatives, using incremental borrowing rates currently available on loans with similar terms and maturities. Ineffective gains and losses on these derivatives and the underlying hedged items are recorded as net interest. The amount of hedge ineffectiveness was less than \$1 million in each of fiscal 2011, 2010 and 2009.

During the fourth quarter of fiscal 2011, we entered into swaps to convert \$300.0 million of 1.55 percent fixed-rate notes due May 16, 2014, to floating rates. We also entered into \$500.0 million of forward starting swaps with an average fixed rate of 3.9 percent in advance of a planned debt financing.

During the fourth quarter of fiscal 2010, in advance of a planned debt financing, we entered into \$500.0 million of treasury lock derivatives with an average fixed rate of 4.3 percent. All of these treasury locks were cash settled for \$17.1 million during the first quarter of fiscal 2011, coincident with the issuance of our \$500.0 million 30-year fixed-rate notes. As of May 29, 2011, a \$16.2 million pre-tax loss remained in AOCI, which will be reclassified to earnings over the term of the underlying debt.

During the second quarter of fiscal 2010 we entered into \$700.0 million of interest rate swaps to convert \$700.0 million of 5.65 percent fixed-rate notes to floating rates. In May 2010, we repurchased \$179.2 million of our 5.65 percent notes, and as a result, we received \$2.7 million to settle a portion of these swaps that related to the repurchased debt.

In anticipation of our acquisition of The Pillsbury Company (Pillsbury) and other financing needs, we entered into pay-fixed interest rate swap contracts during fiscal 2001 and 2002 totaling \$7.1 billion to lock in our interest payments on the associated debt. The remaining \$1.6 billion of these pay-fixed swap contracts along with \$1.6 billion of offsetting pay-floating swaps were cash settled for \$22.3 million during the third quarter of fiscal 2011. As of May 29, 2011, a \$0.5 million pre-tax loss remained in AOCI, which will be reclassified to earnings over the remaining term of the underlying debt.

As of May 29, 2011, a \$12.7 million pre-tax loss on cash settled interest rate swaps for our \$1.0 billion 10-year note issued January 24, 2007, remained in AOCI, which will be reclassified to earnings over the term of the underlying debt.

The following table summarizes the notional amounts and weighted-average interest rates of our interest rate swaps. Average floating rates are based on rates as of the end of the reporting period.

In Millions	May 29, 2011	May 30, 2010
Pay-floating swaps - notional amount	\$838.0	\$2,155.6
Average receive rate	1.8%	4.8%
Average pay rate	0.2%	0.3%
Pay-fixed swaps - notional amount	—	\$1,600.0
Average receive rate	—	0.3%
Average pay rate	—	7.3%
Pay-fixed forward starting swaps - notional amount	\$500.0	\$ —

The swap contracts mature at various dates from fiscal 2012 to 2014 as follows:

In Millions	Fiscal Year Maturity Date	
	Pay Floating	Pay Fixed
2012	\$ 3.4	\$500.0
2013	534.6	—
2014	300.0	—
Total	\$838.0	\$500.0

Foreign Exchange Risk

Foreign currency fluctuations affect our net investments in foreign subsidiaries and foreign currency cash flows related to foreign-denominated commercial paper, third party purchases, intercompany loans, and product shipments. We are also exposed to the translation of foreign currency earnings to the U.S. dollar. Our principal exposures are to the Australian dollar, British pound sterling, Canadian dollar, Chinese renminbi, euro, Japanese yen, Swiss franc, and Mexican peso. We mainly use foreign currency forward contracts to selectively hedge our foreign currency cash flow exposures. We also generally swap our foreign-denominated commercial paper borrowings and nonfunctional currency intercompany loans back to U.S. dollars or the functional currency; the gains or losses on these derivatives offset the foreign currency revaluation gains or losses recorded in earnings on the associated borrowings. We generally do not hedge more than 18 months forward.

As of May 29, 2011, the notional value of foreign exchange derivatives was \$2,436.5 million. The amount of hedge ineffectiveness was less than \$1 million in each of fiscal 2011, 2010 and 2009.

As discussed in Note 3, during the fourth quarter of fiscal 2011 we entered into definitive agreements with PAI Partners and Sodial International to purchase interests in Yoplait entities for \$1.2 billion. To reduce the risk of the U.S. dollar cost of the euro-denominated acquisition, we purchased call options covering €637 million at a cost of \$12.7 million. As of May 29, 2011, we recorded a \$2.2 million unrealized gain on these derivatives.

We also have many net investments in foreign subsidiaries that are denominated in euros. We hedged a portion of these net investments by issuing euro-denominated commercial paper and foreign exchange forward contracts. As of May 29, 2011, we had deferred net foreign currency transaction losses of \$95.7 million in AOCI associated with hedging activity.

Fair Value Measurements And Financial Statement Presentation

We categorize assets and liabilities into one of three levels based on the assumptions (inputs) used in valuing the asset or liability. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment. The three levels are defined as follows:

- Level 1:* Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2:* Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3:* Unobservable inputs reflecting management's assumptions about the inputs used in pricing the asset or liability.

The fair values of our assets, liabilities, and derivative positions recorded at fair value as of May 29, 2011, and May 30, 2010, were as follows:

In Millions	May 29, 2011				May 29, 2011			
	Fair Values of Assets				Fair Values of Liabilities			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivatives designated as hedging instruments:								
Interest rate contracts ^{(a) (b)}	\$ —	\$ 11.2	\$ —	\$ 11.2	\$ —	\$(21.3)	\$ —	\$(21.3)
Foreign exchange contracts ^{(c) (d)}	—	10.1	—	10.1	—	(14.9)	—	(14.9)
Total	—	21.3	—	21.3	—	(36.2)	—	(36.2)
Derivatives not designated as hedging instruments:								
Interest rate contracts ^{(a) (b)}	—	2.2	—	2.2	—	(0.9)	—	(0.9)
Foreign exchange contracts ^{(c) (d)}	—	57.1	—	57.1	—	(19.9)	—	(19.9)
Commodity contracts ^{(c) (e)}	14.6	16.3	—	30.9	—	—	—	—
Grain contracts ^{(c) (e)}	—	61.1	—	61.1	—	(29.0)	—	(29.0)
Total	14.6	136.7	—	151.3	—	(49.8)	—	(49.8)
Other assets and liabilities reported at fair value:								
Marketable investments ^{(a) (f)}	5.9	9.1	—	15.0	—	—	—	—
Total	5.9	9.1	—	15.0	—	—	—	—
Total assets, liabilities, and derivative positions recorded at fair value	\$20.5	\$167.1	\$ —	\$187.6	\$ —	\$(86.0)	\$ —	\$(86.0)

In Millions	May 30, 2011				May 30, 2011			
	Fair Values of Assets				Fair Values of Liabilities			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivatives designated as hedging instruments:								
Interest rate contracts ^{(a) (b)}	\$ —	\$ 5.8	\$ —	\$ 5.8	\$ —	\$ (17.1)	\$ —	\$ (17.1)
Foreign exchange contracts ^{(c) (d)}	—	8.6	—	8.6	—	(12.5)	—	(12.5)
Total	—	14.4	—	14.4	—	(29.6)	—	(29.6)
Derivatives not designated as hedging instruments:								
Interest rate contracts ^{(a) (b)}	—	124.3	—	124.3	—	(163.1)	—	(163.1)
Foreign exchange contracts ^{(c) (d)}	—	9.5	—	9.5	—	(1.0)	—	(1.0)
Commodity contracts ^{(c) (e)}	—	7.4	—	7.4	(5.6)	—	—	(5.6)
Grain contracts ^{(c) (e)}	—	11.9	—	11.9	—	(13.0)	—	(13.0)
Total	—	153.1	—	153.1	(5.6)	(177.1)	—	(182.7)
Other assets and liabilities reported at fair value:								
Marketable investments ^{(a) (f)}	15.5	11.9	—	27.4	—	—	—	—
Long-lived assets ^(g)	—	0.4	—	0.4	—	—	—	—
Total	15.5	12.3	—	27.8	—	—	—	—
Total assets, liabilities, and derivative positions recorded at fair value	\$15.5	\$179.8	\$ —	\$195.3	\$(5.6)	\$(206.7)	\$ —	\$(212.3)

(a) These contracts and investments are recorded as other assets or as other liabilities, as appropriate, based on whether in a gain or loss position. Certain marketable investments are recorded as cash and cash equivalents.

(b) Based on LIBOR and swap rates.

(c) These contracts are recorded as prepaid expenses and other current assets or as other current liabilities, as appropriate, based on whether in a gain or loss position.

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

(e) Based on prices of futures exchanges and recently reported transactions in the marketplace.

(f) Based on prices of common stock and bond matrix pricing.

(g) We recorded a \$6.6 million non-cash impairment charge in fiscal 2010 to write down certain long-lived assets to their fair value of \$0.4 million. Fair value was based on recently reported transactions for similar assets in the marketplace. These assets had a book value of \$7.0 million and were associated with the exit activities described in Note 4.

We did not significantly change our valuation techniques from prior periods.

Information related to our cash flow hedges, fair value hedges, and other derivatives not designated as hedging instruments for the fiscal years ended May 29, 2011, and May 30, 2010, follows:

In Millions	Interest Rate Contracts		Foreign Exchange Contracts		Equity Contracts		Commodity Contracts		Total	
	Fiscal Year		Fiscal Year		Fiscal Year		Fiscal Year		Fiscal Year	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Derivatives in Cash Flow Hedging Relationships:										
Amount of loss recognized in other comprehensive income (OCI) ^(a)	\$(20.9)	\$(11.7)	\$(18.9)	\$(13.3)	\$ —	\$ —	\$ —	\$ —	\$(39.8)	\$(25.0)
Amount of loss reclassified from AOCI into earnings ^{(a) (b)}	(13.1)	(18.0)	(16.7)	(26.4)	—	—	—	—	(29.8)	(44.4)
Amount of gain (loss) recognized in earnings ^{(c) (d)}	(0.4)	(0.3)	0.3	(0.5)	—	—	—	—	(0.1)	(0.8)
Derivatives in Fair Value Hedging Relationships:										
Amount of net gain recognized in earnings ^(e)	0.3	0.2	—	—	—	—	—	—	0.3	0.2
Derivatives Not Designated as Hedging Instruments:										
Amount of gain (loss) recognized in earnings ^(e)	1.0	0.2	23.7	13.3	—	0.2	160.3	(54.7)	185.0	(41.0)

(a) Effective portion.

(b) Loss reclassified from AOCI into earnings is reported in interest, net for interest rate swaps and in cost of sales and SG&A expenses for foreign exchange contracts.

(c) All gain (loss) recognized in earnings is related to the ineffective portion of the hedging relationship. No amounts were reported as a result of being excluded from the assessment of hedge effectiveness.

(d) Gain (loss) recognized in earnings is reported in SG&A expenses for foreign exchange contracts.

(e) Gain (loss) recognized in earnings is reported in interest, net for interest rate contracts, in cost of sales for commodity contracts, and in SG&A expenses for equity contracts and foreign exchange contracts.

Amounts Recorded In Accumulated Other Comprehensive Loss

Unrealized losses from interest rate cash flow hedges recorded in AOCI as of May 29, 2011, totaled \$30.0 million after tax. These deferred losses are primarily related to interest rate swaps that we entered into in contemplation of future borrowings and other financing requirements and that are being reclassified into net interest over the lives of the hedged forecasted transactions. Unrealized losses from foreign currency cash flow hedges recorded in AOCI as of May 29, 2011, were \$5.8 million after-tax. The net amount of pre-tax gains and losses in AOCI as of May 29, 2011, that we expect to be reclassified into net earnings within the next 12 months is \$11.7 million of expense.

Credit-Risk-Related Contingent Features

Certain of our derivative instruments contain provisions that require us to maintain an investment grade credit rating on our debt from each of the major credit rating agencies. If our debt were to fall below investment

grade, the counterparties to the derivative instruments could request full collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position on May 29, 2011, was \$6.3 million. We would be required to post this amount of collateral to the counterparties if the contingent features were triggered.

Concentrations Of Credit And Counterparty Credit Risk

During fiscal 2011, Wal-Mart Stores, Inc. and its affiliates (Wal-Mart) accounted for 23 percent of our consolidated net sales and 30 percent of our net sales in the U.S. Retail segment. No other customer accounted for 10 percent or more of our consolidated net sales. Wal-Mart also represented 6 percent of our net sales in the International segment and 7 percent of our net sales in the Bakeries and Foodservice segment. As of May 29, 2011, Wal-Mart accounted for 26 percent of our U.S. Retail receivables, 5 percent of our International receivables, and 9 percent of

our Bakeries and Foodservice receivables. The five largest customers in our U.S. Retail segment accounted for 53 percent of its fiscal 2011 net sales, the five largest customers in our International segment accounted for 24 percent of its fiscal 2011 net sales, and the five largest customers in our Bakeries and Foodservice segment accounted for 45 percent of its fiscal 2011 net sales.

We enter into interest rate, foreign exchange, and certain commodity and equity derivatives, primarily with a diversified group of highly rated counterparties. We continually monitor our positions and the credit ratings of the counterparties involved and, by policy, limit the amount of credit exposure to any one party. These transactions may expose us to potential losses due to the risk of nonperformance by these counterparties; however, we have not incurred a material loss. We also enter into commodity futures transactions through various regulated exchanges.

The amount of loss due to the credit risk of the counterparties, should the counterparties fail to perform according to the terms of the contracts, is \$63.1 million against which we do not hold collateral. Under the terms of master swap agreements, some of our transactions require collateral or other security to support financial instruments subject to threshold levels of exposure and counterparty credit risk. Collateral assets are either cash or U.S. Treasury instruments and are held in a trust account that we may access if the counterparty defaults.

NOTE 8. DEBT

Notes Payable The components of notes payable and their respective weighted-average interest rates at the end of the periods were as follows:

In Millions	May 29, 2011		May 30, 2010	
	Notes Payable	Weighted-average Interest Rate	Notes Payable	Weighted-average Interest Rate
U.S. commercial paper	\$192.5	0.2%	\$ 973.0	0.3%
Financial institutions	118.8	11.5	77.1	10.6
Total	\$311.3	4.5%	\$1,050.1	1.1%

To ensure availability of funds, we maintain bank credit lines sufficient to cover our outstanding short-term borrowings. Commercial paper is a continuing source of short-term financing. We issue commercial paper in the United States and Europe. Our commercial paper borrowings are supported by \$2.9 billion of

fee-paid committed credit lines, consisting of a \$1.8 billion facility expiring in October 2012 and a \$1.1 billion facility expiring in October 2013. We also have \$311.8 million in uncommitted credit lines that support our foreign operations. As of May 29, 2011, there were no amounts outstanding on the fee-paid committed credit lines and \$118.8 million was drawn on the uncommitted lines. The credit facilities contain several covenants, including a requirement to maintain a fixed charge coverage ratio of at least 2.5. We were in compliance with all credit facility covenants as of May 29, 2011.

Long-Term Debt In May 2011, we issued \$300.0 million aggregate principal amount of 1.55 percent fixed-rate notes and \$400.0 million aggregate principal amount of floating-rate notes, both due May 16, 2014. The proceeds of these notes were used to repay a portion of our outstanding commercial paper. The floating-rate notes bear interest equal to three-month LIBOR plus 35 basis points, subject to quarterly reset. Interest on the floating-rate notes is payable quarterly in arrears. Interest on the fixed-rate notes is payable semi-annually in arrears. The fixed-rate notes may be redeemed at our option at any time for a specified make whole amount. These notes are senior unsecured, unsubordinated obligations that include a change of control repurchase provision.

In June 2010, we issued \$500.0 million aggregate principal amount of 5.4 percent notes due 2040. The proceeds of these notes were used to repay a portion of our outstanding commercial paper. Interest on these notes is payable semi-annually in arrears. These notes may be redeemed at our option at any time for a specified make whole amount. These notes are senior unsecured, unsubordinated obligations that include a change of control repurchase provision.

In May 2010, we paid \$437.0 million to repurchase in a cash tender offer \$400.0 million of our previously issued debt. We repurchased \$220.8 million of our 6.0 percent notes due 2012 and \$179.2 million of our 5.65 percent notes due 2012. We issued commercial paper to fund the repurchase.

In January 2009, we issued \$1.2 billion aggregate principal amount of 5.65 percent notes due 2019. In August 2008, we issued \$700.0 million aggregate principal amount of 5.25 percent notes due 2013. The proceeds of these notes were used to repay a portion of our outstanding commercial paper. Interest on these notes is payable semi-annually in arrears. These notes may be redeemed at our option at any time for a specified make

whole amount. These notes are senior unsecured, unsubordinated obligations that include a change of control repurchase provision.

Certain of our long-term debt agreements contain restrictive covenants. As of May 29, 2011, we were in compliance with all of these covenants.

As of May 29, 2011, the \$48.4 million pre-tax loss recorded in AOCI associated with our previously designated interest rate swaps will be reclassified to net interest over the remaining lives of the hedged transactions. The amount expected to be reclassified from AOCI to net interest in fiscal 2012 is \$4.3 million pre-tax.

A summary of our long-term debt is as follows:

In Millions	May 29, 2011	May 30, 2010
5.65% notes due February 15, 2019	\$1,150.0	\$1,150.0
6% notes due February 15, 2012	1,019.5	1,019.5
5.7% notes due February 15, 2017	1,000.0	1,000.0
5.2% notes due March 17, 2015	750.0	750.0
5.25% notes due August 15, 2013	700.0	700.0
5.65% notes due September 10, 2012	520.8	520.8
5.4% notes due June 15, 2040	500.0	—
1.55% notes due May 16, 2014	300.0	—
Floating-rate notes due May 16, 2014	400.0	—
Medium-term notes, 0.1% to 6.5%, due fiscal 2012 or later	204.4	204.4
Debt of consolidated contract manufacturer	15.0	20.9
Other, including capital leases	14.1	10.2
	6,573.8	5,375.8
Less amount due within one year	(1,031.3)	(107.3)
Total long-term debt	\$5,542.5	\$5,268.5

Principal payments due on long-term debt in the next five years based on stated contractual maturities, our intent to redeem, or put rights of certain note holders are \$1,031.3 million in fiscal 2012, \$733.6 million in fiscal 2013, \$1,402.6 million in fiscal 2014, \$750.1 million in fiscal 2015, and less than \$1 million in fiscal 2016.

NOTE 9. NONCONTROLLING INTERESTS

Our principal noncontrolling interest relates to our subsidiary General Mills Cereals, LLC (GMC). GMC issued a managing membership interest and limited preferred membership interests to certain of our wholly owned subsidiaries. We continue to hold the entire managing membership interest, and therefore direct the operations of GMC. We currently hold all interests in GMC other than Class A Limited Membership Interests (Class A Interests) which are held by an unrelated third-party investor. As of May 29, 2011, the carrying value of all outstanding Class A Interests was \$242.3 million, classified as noncontrolling interests on our Consolidated Balance Sheets.

The holder of the Class A Interests receives quarterly preferred distributions from available net income based on the application of a floating preferred return rate, currently equal to the sum of three-month LIBOR plus 65 basis points, to the holder's capital account balance established in the most recent mark-to-market valuation (currently \$248.1 million).

For financial reporting purposes, the assets, liabilities, results of operations, and cash flows of GMC are included in our Consolidated Financial Statements. The return to the third-party investor is reflected in net earnings attributable to noncontrolling interests in the Consolidated Statements of Earnings.

In addition, we have seven foreign subsidiaries that have minority interests totaling \$4.4 million as of May 29, 2011.

Our noncontrolling interests contain restrictive covenants. As of May 29, 2011, we were in compliance with all of these covenants.

NOTE 10. STOCKHOLDERS' EQUITY

Cumulative preference stock of 5.0 million shares, without par value, is authorized but unissued.

During fiscal 2011, we repurchased 31.8 million shares of common stock for an aggregate purchase price of \$1,163.5 million. During fiscal 2010, we repurchased 21.3 million shares of common stock for an aggregate purchase price of \$691.8 million. During fiscal 2009, we repurchased 40.4 million shares of common stock for an aggregate purchase price of \$1,296.4 million.

On June 28, 2010, our Board of Directors authorized the repurchase of up to 100 million shares of our common stock. Purchases under the authorization can be made in the open market or in privately negotiated transactions, including the use of call options and other derivative instruments, Rule 10b5-1 trading plans, and accelerated repurchase programs. The authorization has no specified termination date.

The following table provides details of total comprehensive income:

In Millions	Fiscal 2011		
	Pretax	Tax	Net
Net earnings attributable to General Mills			\$1,798.3
Net earnings attributable to noncontrolling interests			5.2
Net earnings, including earnings attributable to noncontrolling interests			\$1,803.5
Other comprehensive income (loss):			
Foreign currency translation	\$358.3	\$ —	\$ 358.3
Net actuarial gain	93.5	(32.4)	61.1
Other fair value changes:			
Securities	(5.8)	2.2	(3.6)
Hedge derivatives	(39.8)	14.4	(25.4)
Reclassification to earnings:			
Hedge derivatives	29.8	(11.3)	18.5
Amortization of losses and prior service costs	108.7	(41.5)	67.2
Other comprehensive income (loss) in accumulated other comprehensive loss	544.7	(68.6)	476.1
Other comprehensive income attributable to noncontrolling interests	0.7	—	0.7
Other comprehensive income (loss)	\$545.4	\$(68.6)	\$ 476.8
Total comprehensive income			\$2,280.3

In Millions	Fiscal 2010		
	Pretax	Tax	Net
Net earnings attributable to General Mills			\$1,530.5
Net earnings attributable to noncontrolling interests			4.5
Net earnings, including earnings attributable to noncontrolling interests			\$1,535.0
Other comprehensive income (loss):			
Foreign currency translation	\$(163.3)	\$ —	\$ (163.3)
Net actuarial loss	(786.3)	314.8	(471.5)
Other fair value changes:			
Securities	1.9	(0.7)	1.2
Hedge derivatives	(25.0)	10.6	(14.4)
Reclassification to earnings:			
Hedge derivatives	44.4	(17.0)	27.4
Amortization of losses and prior service costs	19.1	(7.6)	11.5
Other comprehensive income (loss) in accumulated other comprehensive loss	(909.2)	300.1	(609.1)
Other comprehensive loss attributable to noncontrolling interests	0.2	—	0.2
Other comprehensive income (loss)	\$(909.0)	\$300.1	\$ (608.9)
Total comprehensive income			\$ 926.1

In Millions	Fiscal 2009		
	Pretax	Tax	Net
Net earnings attributable to General Mills			\$ 1,304.4
Net earnings attributable to noncontrolling interests			9.3
Net earnings, including earnings attributable to noncontrolling interests			\$ 1,313.7
Other comprehensive income (loss):			
Foreign currency translation	\$ (286.6)	\$ —	\$ (286.6)
Net actuarial loss	(1,254.0)	477.8	(776.2)
Other fair value changes:			
Securities	(0.6)	0.2	(0.4)
Hedge derivatives	8.0	(3.4)	4.6
Reclassification to earnings:			
Hedge derivatives	(11.9)	4.6	(7.3)
Amortization of losses and prior service costs	24.2	(9.2)	15.0
Other comprehensive income (loss) in accumulated other comprehensive loss	(1,520.9)	470.0	(1,050.9)
Other comprehensive income attributable to noncontrolling interests	(1.2)	—	(1.2)
Other comprehensive income (loss)	\$(1,522.1)	\$470.0	\$(1,052.1)
Total comprehensive income			\$ 261.6

During fiscal 2009, we incurred unrecognized losses in excess of \$1.1 billion on assets, primarily equity securities, in our defined benefit pension and other postretirement benefit plans. These losses were recognized in other comprehensive income. In fiscal 2010 and future years, the losses are reflected in pension expense using the market-related value of the plan assets over a five year period and amortized using a declining balance method over the average remaining service period of active plan participants.

In fiscal 2011, 2010, and 2009, except for reclassifications to earnings, changes in other comprehensive income (loss) were primarily non-cash items.

Accumulated other comprehensive loss balances, net of tax effects, were as follows:

In Millions	May 29, 2011	May 30, 2010
Foreign currency translation adjustments	\$ 553.2	\$ 194.9
Unrealized gain (loss) from:		
Securities	2.0	5.6
Hedge derivatives	(35.8)	(28.9)
Pension, other postretirement, and postemployment benefits:		
Net actuarial loss	(1,509.5)	(1,611.0)
Prior service costs	(20.7)	(47.5)
Accumulated other comprehensive loss	\$(1,010.8)	\$(1,486.9)

NOTE 11. STOCK PLANS

We use broad-based stock plans to help ensure that management's interests are aligned with those of our stockholders. As of May 29, 2011, a total of 16,942,290 shares were available for grant in the form of stock options, restricted shares, restricted stock units, and shares of common stock under the 2009 Stock Compensation Plan (2009 Plan) and the 2006 Compensation Plan for Non-Employee Directors (2006 Director Plan). The 2009 Plan also provides for the issuance of cash-settled share-based units. Stock-based awards now outstanding include some granted under the 1995, 1996, 1998 (senior management), 1998 (employee), 2001, 2003, 2005, and 2007 stock plans and the Executive Incentive Plan (EIP), under which no further awards may be granted. The stock plans provide for full vesting of options, restricted shares, restricted stock units, and cash-settled share-based units upon completion of specified service periods or in certain circumstances, following a change of control.

Stock Options The estimated fair values of stock options granted and the assumptions used for the Black-Scholes option-pricing model were as follows:

	Fiscal Year		
	2011	2010	2009
Estimated fair values of stock options granted	\$ 4.12	\$3.20	\$4.70
Assumptions:			
Risk-free interest rate	2.9%	3.7%	4.4%
Expected term	8.5 years	8.5 years	8.5 years
Expected volatility	18.5%	18.9%	16.1%
Dividend yield	3.0%	3.4%	2.7%

The valuation of stock options is a significant accounting estimate that requires us to use judgments and assumptions that are likely to have a material impact on our financial statements. Annually, we make predictive assumptions regarding future stock price volatility, employee exercise behavior, dividend yield, and the forfeiture rate.

We estimate the fair value of each option on the grant date using a Black-Scholes option-pricing model, which requires us to make predictive assumptions regarding future stock price volatility, employee exercise behavior, and dividend yield. We estimate our future stock price volatility using the historical volatility over the expected term of the option, excluding time periods of volatility we believe a marketplace participant would exclude in estimating our stock price volatility. We also have considered, but did not use, implied volatility in our estimate, because trading activity in options on our stock, especially those with tenors of greater than 6 months, is insufficient to provide a reliable measure of expected volatility.

Our expected term represents the period of time that options granted are expected to be outstanding based on historical data to estimate option exercises and employee terminations within the valuation model. Separate groups of employees have similar historical exercise behavior and therefore were aggregated into a single pool for valuation purposes. The weighted-average expected term for all employee groups is presented in the table above. The risk-free interest rate for periods during the expected term of the options is based on the U.S. Treasury zero-coupon yield curve in effect at the time of grant.

Any corporate income tax benefit realized upon exercise or vesting of an award in excess of that previously recognized in earnings (referred to as a windfall tax benefit) is presented in the Consolidated Statements of Cash Flows as a financing cash flow.

Realized windfall tax benefits are credited to additional paid-in capital within the Consolidated Balance Sheets. Realized shortfall tax benefits (amounts which are less than that previously recognized in earnings) are first offset against the cumulative balance of windfall tax benefits, if any, and then charged directly to income tax expense, potentially resulting in volatility in our consolidated effective income tax rate. We calculated a cumulative memo balance of windfall tax benefits from post-1995 fiscal years for the purpose of accounting for future shortfall tax benefits.

Options may be priced at 100 percent or more of the fair market value on the date of grant, and generally vest four years after the date of grant. Options generally expire within 10 years and one month after the date of grant.

Information on stock option activity follows:

	Options Exercisable (Thousands)	Weighted- average Exercise Price Per Share	Options Outstanding (Thousands)	Weighted- average Exercise Price Per Share
Balance as of				
May 25, 2008	76,389.2	\$21.23	106,042.4	\$22.68
Granted			6,495.4	31.74
Exercised			(17,548.4)	19.60
Forfeited or expired			(382.4)	27.50
Balance as of				
May 31, 2009	67,619.2	21.96	94,607.0	23.84
Granted			6,779.4	27.99
Exercised			(20,013.6)	19.87
Forfeited or expired			(268.2)	24.82
Balance as of				
May 30, 2010	47,726.6	22.89	81,104.6	25.17
Granted			5,234.3	37.38
Exercised			(18,665.4)	22.59
Forfeited or expired			(126.2)	31.26
Balance as of				
May 29, 2011	39,221.7	\$23.78	67,547.3	\$26.82

Stock-based compensation expense related to stock option awards was \$26.8 million in fiscal 2011, \$34.4 million in fiscal 2010, and \$40.0 million in fiscal 2009.

Net cash proceeds from the exercise of stock options less shares used for withholding taxes and the intrinsic value of options exercised were as follows:

In Millions	Fiscal Year		
	2011	2010	2009
Net cash proceeds	\$410.4	\$388.5	\$305.9
Intrinsic value of options exercised	\$275.6	\$271.8	\$226.7

Restricted Stock, Restricted Stock Units, and Cash-Settled Share-Based Units Stock and units settled in stock subject to a restricted period and a purchase price, if any (as determined by the Compensation Committee of the Board of Directors), may be granted to key employees under the 2009 Plan. Certain restricted stock and restricted stock unit awards require the employee to deposit personally owned shares (on a one-for-one basis) during the restricted period. Restricted stock and

restricted stock units generally vest and become unrestricted four years after the date of grant. Participants are entitled to dividends on such awarded shares and units, but only receive those amounts if the shares or units vest. The sale or transfer of these shares and units is restricted during the vesting period. Participants holding restricted stock, but not restricted stock units, are entitled to vote on matters submitted to holders of common stock for a vote.

Information on restricted stock unit and cash-settled share-based units activity follows:

	Equity Classified		Liability Classified			
	Share-Settled Units (Thousands)	Weighted-Average Grant-Date Fair Value	Share-Settled Units (Thousands)	Weighted-Average Grant-Date Fair Value	Cash-Settled Share-Based Units (Thousands)	Weighted-Average Grant-Date Fair Value
Non-vested as of May 30, 2010	10,209.8	\$28.49	424.3	\$28.64	3,703.7	\$29.65
Granted	2,406.7	35.47	127.7	37.40	1,217.2	37.40
Vested	(3,161.0)	26.46	(78.1)	29.02	(245.2)	31.33
Forfeited or expired	(285.6)	31.61	(36.7)	30.04	(160.6)	31.36
Non-vested as of May 29, 2011	9,169.9	\$30.92	437.2	\$31.01	4,515.1	\$31.58

	Fiscal Year		
	2011	2010	2009
Number of units granted (thousands)	3,751.6	4,745.7	4,348.0
Weighted average price per unit	\$36.16	\$28.03	\$31.70

The total grant-date fair value of restricted stock unit awards that vested during fiscal 2011 was \$93.6 million, and \$26.1 million vested during fiscal 2010.

As of May 29, 2011, unrecognized compensation expense related to non-vested stock options and restricted stock units was \$170.7 million. This expense will be recognized over 19 months, on average.

Stock-based compensation expense related to restricted stock units and cash-settled share-based payment awards was \$141.2 million for fiscal 2011, \$131.0 million for fiscal 2010, and \$101.4 million for fiscal 2009.

NOTE 12. EARNINGS PER SHARE

Basic and diluted earnings per share (EPS) were calculated using the following:

In Millions, Except per Share Data	Fiscal Year		
	2011	2010	2009
Net earnings attributable to General Mills	\$1,798.3	\$1,530.5	\$1,304.4
Average number of common shares - basic EPS	642.7	659.6	663.7
Incremental share effect from: ^(a)			
Stock options	16.6	17.7	17.9
Restricted stock, restricted stock units, and other	5.5	6.0	5.5
Average number of common shares - diluted EPS	664.8	683.3	687.1
Earnings per share - basic	\$2.80	\$2.32	\$1.96
Earnings per share - diluted	\$2.70	\$2.24	\$1.90

(a) Incremental shares from stock options and restricted stock units are computed by the treasury stock method. Stock options and restricted stock units excluded from our computation of diluted EPS because they were not dilutive were as follows:

In Millions	Fiscal Year		
	2011	2010	2009
Anti-dilutive stock options and restricted stock units	4.8	6.3	14.2

NOTE 13. RETIREMENT BENEFITS AND POSTEMPLOYMENT BENEFITS

Defined Benefit Pension Plans We have defined benefit pension plans covering most United States, Canadian, and United Kingdom employees. Benefits for salaried employees are based on length of service and final average compensation. Benefits for hourly employees include various monthly amounts for each year of credited service. Our funding policy is consistent with the requirements of applicable laws. We made \$200.0 million of voluntary contributions to our principal domestic plans in fiscal 2011. We do not expect to be required to make any contributions in fiscal 2012. Our principal domestic retirement plan covering salaried employees has a provision that any excess pension assets would be allocated to active participants if the plan is terminated within five years of a change in control.

Other Postretirement Benefit Plans We also sponsor plans that provide health care benefits to the majority of our United States and Canadian retirees. The salaried health care benefit plan is contributory, with retiree contributions based on years of service. We make decisions to fund related trusts for certain employees and retirees on an annual basis. We did not make voluntary contributions to these plans in fiscal 2011 or fiscal 2010.

Health Care Cost Trend Rates Assumed health care cost trends are as follows:

	Fiscal Year	
	2011	2010
Health care cost trend rate for next year	8.5%	9.0%
Rate to which the cost trend rate is assumed to decline (ultimate rate)	5.2%	5.2%
Year that the rate reaches the ultimate trend rate	2019	2019

We review our health care cost trend rates annually. Our review is based on data we collect about our health care claims experience and information provided by our actuaries. This information includes recent plan experience, plan design, overall industry experience and projections, and assumptions used by other similar organizations. Our initial health care cost trend rate is adjusted as necessary to remain consistent with this review, recent experiences, and short-term expectations. Our initial health care cost trend rate assumption is 8.5 percent for all retirees. Rates are graded down annually

until the ultimate trend rate of 5.2 percent is reached in 2019 for all retirees. The trend rates are applicable for calculations only if the retirees' benefits increase as a result of health care inflation. The ultimate trend rate is adjusted annually, as necessary, to approximate the current economic view on the rate of long-term inflation plus an appropriate health care cost premium. Assumed trend rates for health care costs have an important effect on the amounts reported for the other postretirement benefit plans.

A one percentage point change in the health care cost trend rate would have the following effects:

In Millions	One Percentage Point Increase	One Percentage Point Decrease
Effect on the aggregate of the service and interest cost components in fiscal 2012	\$ 6.2	\$ (5.4)
Effect on the other postretirement accumulated benefit obligation as of May 29, 2011	82.4	(73.6)

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the Act) was signed into law in March 2010. The Act codifies health care reforms with staggered effective dates from 2010 to 2018. Estimates of the future impacts of several of the Act's provisions are incorporated into our postretirement benefit liability including the elimination of lifetime maximums and the imposition of an excise tax on high cost health plans. These changes resulted in a \$24.0 million increase in our postretirement benefit liability in fiscal 2010.

Postemployment Benefit Plans Under certain circumstances, we also provide accruable benefits to former or inactive employees in the United States, Canada, and Mexico, and members of our Board of Directors, including severance and certain other benefits payable upon death. We recognize an obligation for any of these benefits that vest or accumulate with service. Postemployment benefits that do not vest or accumulate with service (such as severance based solely on annual pay rather than years of service) are charged to expense when incurred. Our postemployment benefit plans are unfunded.

We use our fiscal year end as the measurement date for our defined benefit pension and other postretirement benefit plans.

Summarized financial information about defined benefit pension, other postretirement, and postemployment benefits plans is presented below:

In Millions	Defined Benefit Pension Plans		Other Postretirement Benefit Plans		Postemployment Benefit Plans	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2011	2010	2011	2010	2011	2010
Change in Plan Assets:						
Fair value at beginning of year	\$3,529.8	\$3,157.8	\$ 284.3	\$ 235.6		
Actual return on assets	688.9	535.9	60.7	41.0		
Employer contributions	220.7	17.1	0.1	0.1		
Plan participant contributions	4.1	3.5	11.8	11.3		
Benefits payments	(188.2)	(182.6)	(3.1)	(3.7)		
Foreign currency	8.7	(1.9)	—	—		
Fair value at end of year	\$4,264.0	\$3,529.8	\$ 353.8	\$ 284.3		
Change in Projected Benefit Obligation:						
Benefit obligation at beginning of year	\$4,030.0	\$3,167.3	\$1,060.6	\$ 852.0	\$ 130.3	\$ 112.5
Service cost	101.4	70.9	18.7	12.9	8.0	7.2
Interest cost	230.9	230.3	60.1	61.6	5.1	5.6
Plan amendment	—	25.8	(35.3)	7.5	—	—
Curtailement/other	—	—	—	—	4.2	10.6
Plan participant contributions	4.1	3.5	11.8	11.3	—	—
Medicare Part D reimbursements	—	—	4.5	4.7	—	—
Actuarial loss (gain)	271.2	716.4	2.0	168.1	(0.5)	11.8
Benefits payments	(188.2)	(182.6)	(56.9)	(57.5)	(16.1)	(17.6)
Foreign currency	9.0	(1.6)	0.3	—	0.3	0.2
Projected benefit obligation at end of year	\$4,458.4	\$4,030.0	\$1,065.8	\$1,060.6	\$ 131.3	\$ 130.3
Plan assets less than benefit obligation as of fiscal year end	\$ (194.4)	\$ (500.2)	\$ (712.0)	\$ (776.3)	\$ (131.3)	\$ (130.3)

The accumulated benefit obligation for all defined benefit pension plans was \$3,991.6 million as of May 29, 2011, and \$3,620.3 million as of May 30, 2010.

Amounts recognized in AOCI as of May 29, 2011, and May 30, 2010, are as follows:

In Millions	Defined Benefit Pension Plans		Other Postretirement Benefit Plans		Postemployment Benefit Plans		Total	
	Fiscal Year		Fiscal Year		Fiscal Year		Fiscal Year	
	2011	2010	2011	2010	2011	2010	2011	2010
Net actuarial loss	\$(1,313.9)	\$(1,369.9)	\$(181.3)	\$(225.2)	\$(14.3)	\$(15.9)	\$(1,509.5)	\$(1,611.0)
Prior service (costs) credits	(35.8)	(41.3)	20.7	1.0	(5.6)	(7.2)	(20.7)	(47.5)
Amounts recorded in accumulated other comprehensive loss	\$(1,349.7)	\$(1,411.2)	\$(160.6)	\$(224.2)	\$(19.9)	\$(23.1)	\$(1,530.2)	\$(1,658.5)

Plans with accumulated benefit obligations in excess of plan assets are as follows:

In Millions	Defined Benefit Pension Plans		Other Postretirement Benefit Plans		Postemployment Benefit Plans	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2011	2010	2011	2010	2011	2010
Projected benefit obligation	\$335.1	\$299.6	\$ —	\$ —	\$ —	\$ —
Accumulated benefit obligation	280.6	252.5	1,065.8	1,060.6	131.3	130.3
Plan assets at fair value	9.0	17.3	353.8	284.3	—	—

Components of net periodic benefit expense (income) are as follows:

In Millions	Defined Benefit Pension Plans			Other Postretirement Benefit Plans			Postemployment Benefit Plans		
	Fiscal Year			Fiscal Year			Fiscal Year		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Service cost	\$101.4	\$ 70.9	\$ 76.5	\$18.7	\$ 12.9	\$ 14.2	\$ 8.0	\$ 7.2	\$ 6.5
Interest cost	230.9	230.3	215.4	60.1	61.6	61.2	5.1	5.7	4.9
Expected return on plan assets	(408.5)	(400.1)	(385.8)	(33.2)	(29.2)	(30.0)	—	—	—
Amortization of losses	81.4	8.4	7.8	14.4	2.0	7.2	2.1	1.0	1.0
Amortization of prior service costs (credits)	9.0	6.9	7.4	(0.6)	(1.6)	(1.4)	2.4	2.4	2.2
Other adjustments	—	—	—	—	—	—	4.2	10.6	8.4
Net expense (income)	\$ 14.2	\$ (83.6)	\$ (78.7)	\$59.4	\$ 45.7	\$ 51.2	\$21.8	\$26.9	\$23.0

We expect to recognize the following amounts in net periodic benefit expense (income) in fiscal 2012:

In Millions	Defined Benefit Pension Plans	Other Postretirement Benefit Plans	Postemployment Benefit Plans
Amortization of losses	\$108.2	\$14.4	\$1.8
Amortization of prior service costs (credits)	8.6	(3.4)	2.1

Assumptions Weighted-average assumptions used to determine fiscal year-end benefit obligations are as follows:

	Defined Benefit Pension Plans		Other Postretirement Benefit Plans		Postemployment Benefit Plans	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2011	2010	2011	2010	2011	2010
Discount rate	5.45%	5.85%	5.35%	5.80%	4.77%	5.12%
Rate of salary increases	4.92	4.93	—	—	4.92	4.93

Weighted-average assumptions used to determine fiscal year net periodic benefit expense (income) are as follows:

	Defined Benefit Pension Plans			Other Postretirement Benefit Plans			Postemployment Benefit Plans		
	Fiscal Year			Fiscal Year			Fiscal Year		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Discount rate	5.85%	7.49%	6.88%	5.80%	7.45%	6.90%	5.12%	7.06%	6.64%
Rate of salary increases	4.93	4.92	4.93	—	—	—	4.93	4.93	4.93
Expected long-term rate of return on plan assets	9.53	9.55	9.55	9.33	9.33	9.35	—	—	—

Discount Rate Our discount rate assumptions are determined annually as of the last day of our fiscal year for our defined benefit pension, other postretirement, and postemployment benefit plan obligations. We also use the same discount rates to determine defined benefit pension, other postretirement, and postemployment benefit plan income and expense for the following fiscal year. We work with our actuaries to determine the timing and amount of expected future cash outflows to plan participants and, using the top quartile of AA-rated corporate bond yields, to develop a forward interest rate

curve, including a margin to that index based on our credit risk. This forward interest rate curve is applied to our expected future cash outflows to determine our discount rate assumptions.

Fair Value of Plan Assets We categorize plan assets with a three level fair value hierarchy as described in Note 7. The fair values of our pension and postretirement benefit plans assets at May 29, 2011, and May 30, 2010, by asset category were as follows:

In Millions	May 29, 2011			
	Level 1	Level 2	Level 3	Total Assets
Fair value measurement of pension plan assets:				
Equity ^(a)	\$1,052.5	\$ 900.2	\$568.5	\$2,521.2
Fixed income ^(b)	794.7	174.4	0.2	969.3
Real asset investments ^(c)	113.0	95.2	356.9	565.1
Other investments ^(d)	—	52.2	0.3	52.5
Cash and accruals	155.9	—	—	155.9
Total fair value measurement of pension plan assets	\$2,116.1	\$1,222.0	\$925.9	\$4,264.0
Fair value measurement of postretirement benefit plan assets:				
Equity ^(a)	\$ 13.5	\$ 131.0	26.3	\$ 170.8
Fixed income ^(b)	1.8	55.9	0.2	57.9
Real asset investments ^(c)	—	7.2	13.6	20.8
Other investments ^(d)	—	83.9	—	83.9
Cash and accruals	20.4	—	—	20.4
Fair value measurement of postretirement benefit plan assets	\$ 35.7	\$ 278.0	\$ 40.1	\$ 353.8

In Millions	May 30, 2010			Total Assets
	Level 1	Level 2	Level 3	
Fair value measurement of pension plan assets:				
Equity ^(a)	\$ 744.5	\$ 716.6	\$ 512.8	\$1,973.9
Fixed income ^(b)	700.0	206.0	3.9	909.9
Real asset investments ^(c)	72.4	75.8	298.7	446.9
Other investments ^(d)	—	39.9	0.3	40.2
Cash and accruals	158.9	—	—	158.9
Total fair value measurement of pension plan assets	\$1,675.8	\$1,038.3	\$ 815.7	\$3,529.8
Fair value measurement of postretirement benefit plan assets:				
Equity ^(a)	\$10.1	81.4	25.7	117.2
Fixed income ^(b)	1.1	46.1	1.7	48.9
Real asset investments ^(c)	0.1	3.7	14.6	18.4
Other investments ^(d)	—	71.4	—	71.4
Cash and accruals	28.4	—	—	28.4
Fair value measurement of postretirement benefit plan assets	\$ 39.7	\$ 202.6	\$ 42.0	\$ 284.3

(a) Primarily publicly traded common stock and private equity partnerships for purposes of total return and to maintain equity exposure consistent with policy allocations. Investments include: i) United States and international equity securities, mutual funds and equity futures valued at closing prices from national exchanges; and ii) commingled funds, privately held securities and private equity partnerships valued at unit values or net asset values provided by the investment managers, which are based on the fair value of the underlying investments. Various methods are used to determine fair values and may include the cost of the investment, most recent financing, and expected cash flows. For some of these investments, realization of the estimated fair value is dependent upon transactions between willing sellers and buyers.

(b) Primarily government and corporate debt securities for purposes of total return and managing fixed income exposure to policy allocations. Investments include: i) fixed income securities and bond futures generally valued at closing prices from national exchanges, fixed income pricing models and/or independent financial analysts; and ii) fixed commingled funds valued at unit values provided by the investment managers, which are based on the fair value of the underlying investments.

(c) Publicly traded common stock and limited partnerships in the energy and real estate sectors for purposes of total return. Investments include: i) energy and real estate securities generally valued at closing prices from national exchanges; and ii) commingled funds, private securities, and limited partnerships valued at unit values or net asset values provided by the investment managers, which are generally based on the fair value of the underlying investments.

(d) Global balanced fund of equity, fixed income and real estate securities for purposes of meeting Canadian pension plan asset allocation policies and insurance and annuity contracts for purposes of providing a stable stream of income for retirees and to fund postretirement medical benefits. Fair values are derived from unit values provided by the investment managers, which are generally based on the fair value of the underlying investments and contract fair values from the providers.

The following table is a roll forward of the Level 3 investments of our pension and postretirement benefit plan assets during the years ended May 29, 2011, and May 30, 2010:

In Millions	Fiscal 2011				
	Balance as of May 30, 2010	Transfers In/(Out)	Purchases, Sales Issuances, and Settlements (Net)	Net Gain	Balance as of May 29, 2011
Pension benefit plan assets:					
Equity	\$512.8	\$2.4	\$(48.1)	\$101.4	\$568.5
Fixed income	3.9	(0.9)	(4.3)	1.5	0.2
Real asset investments	298.7	—	16.0	42.2	356.9
Other investments	0.3	—	—	—	0.3
Fair value activity of pension level 3 plan assets	\$815.7	\$1.5	\$(36.4)	\$145.1	\$925.9
Postretirement benefit plan assets:					
Equity	25.7	\$ —	\$ (3.7)	\$ 4.3	\$ 26.3
Fixed income	1.7	—	(1.5)	—	0.2
Real asset investments	14.6	—	(2.2)	1.2	13.6
Fair value activity of postretirement benefit level 3 plan assets:	\$ 42.0	\$ —	\$ (7.4)	\$ 5.5	\$ 40.1

In Millions	Fiscal 2010				
	Balance as of May 31, 2009	Transfers In/(Out)	Purchases, Sales Issuances, and Settlements (Net)	Net Gain/(Loss)	Balance as of May 30, 2010
Pension benefit plan assets:					
Equity	\$423.9	\$ —	\$ 17.0	\$ 71.9	\$512.8
Fixed income	4.2	—	(1.2)	0.9	3.9
Real asset investments	275.2	—	25.0	(1.5)	298.7
Other investments	0.5	—	(0.3)	0.1	0.3
Fair value activity of pension level 3 plan assets	\$703.8	\$ —	\$ 40.5	\$ 71.4	\$815.7
Postretirement benefit plan assets:					
Equity	\$ 23.8	\$ —	\$ (1.5)	\$ 3.4	\$ 25.7
Fixed income	1.5	—	—	0.2	1.7
Real asset investments	17.0	—	(0.6)	(1.8)	14.6
Fair value activity of postretirement benefit level 3 plan assets:	\$ 42.3	\$ —	\$ (2.1)	\$ 1.8	\$ 42.0

The net change in Level 3 assets attributable to unrealized gains at May 29, 2011, were \$96.8 million for our pension plan assets, and \$1.9 million for our postretirement plan assets.

Expected Rate of Return on Plan Assets Our expected rate of return on plan assets is determined by our asset allocation, our historical long-term investment

performance, our estimate of future long-term returns by asset class (using input from our actuaries, investment services, and investment managers), and long-term inflation assumptions. We review this assumption annually for each plan, however, our annual investment performance for one particular year does not, by itself, significantly influence our evaluation.

Weighted-average asset allocations for the past two fiscal years for our defined benefit pension and other postretirement benefit plans are as follows:

Asset category:	Defined Benefit Pension Plans		Other Postretirement Benefit Plans	
	Fiscal Year		Fiscal Year	
	2011	2010	2011	2010
United States equities	30.1%	32.6%	37.6%	37.3%
International equities	18.9	17.1	18.7	18.3
Private equities	13.5	14.7	7.3	9.9
Fixed income	23.9	22.4	30.1	28.1
Real assets	13.6	13.2	6.3	6.4
Total	100.0%	100.0%	100.0%	100.0%

The investment objective for our defined benefit pension and other postretirement benefit plans is to secure the benefit obligations to participants at a reasonable cost to us. Our goal is to optimize the long-term return on plan assets at a moderate level of risk. The defined benefit pension and other postretirement portfolios are broadly diversified across asset classes. Within asset classes, the portfolios are further diversified across investment styles and investment organizations. For the defined benefit pension and other postretirement benefit plans, the long-term investment policy allocations are: 30 percent to equities in the United States; 20 percent to international equities; 10 percent to private equities; 30 percent to fixed income; and 10 percent to real assets (real estate, energy, and timber). The actual allocations to these asset classes may vary tactically around the long-term policy allocations based on relative market valuations.

Contributions and Future Benefit Payments We do not expect to make contributions to our defined benefit, other postretirement, and postemployment benefits plans in fiscal 2012. Actual fiscal 2012 contributions could exceed our current projections, as influenced by our decision to undertake discretionary funding of our benefit trusts and future changes in regulatory requirements. Estimated benefit payments, which reflect expected future service, as appropriate, are expected to be paid from fiscal 2012 to 2021 as follows:

In Millions	Defined Benefit Pension Plans	Other Postretirement Benefit Plans Gross Payments	Medicare Subsidy Receipts	Postemployment Benefit Plans
2012	\$ 204.8	\$ 58.6	\$ 5.0	\$18.4
2013	213.8	62.6	5.5	17.3
2014	223.3	64.6	6.0	16.3
2015	233.2	66.6	6.5	15.1
2016	243.8	39.6	7.1	14.4
2017-2021	1,402.3	387.7	38.9	66.6

Defined Contribution Plans The General Mills Savings Plan is a defined contribution plan that covers domestic salaried, hourly, nonunion, and certain union employees. This plan is a 401(k) savings plan that includes a number of investment funds, including a Company stock fund and an Employee Stock Ownership Plan (ESOP). We sponsor another money purchase plan for certain domestic hourly employees with net assets of \$18.1 million as of May 29, 2011, and \$16.8 million as of May 30, 2010. We also sponsor defined contribution plans in many of our foreign locations. Our total recognized expense related to defined contribution plans was \$41.8 million in fiscal 2011, \$64.5 million in fiscal 2010, and \$59.5 million in fiscal 2009.

We matched a percentage of employee contributions to the General Mills Savings Plan with a base match plus a variable year-end match that depended on annual results. Effective April 1, 2010, the company match is directed to investment options of the participant's choosing. Prior to April 1, 2010, the company match was invested in Company stock in the ESOP. The number of shares of our common stock allocated to participants in the ESOP was 11.2 million as of May 29, 2011, and 11.9 million as of May 30, 2010.

The ESOP's only assets are our common stock and temporary cash balances. The ESOP's share of the total defined contribution expense was \$53.7 million in fiscal 2010 and \$50.6 million in fiscal 2009. The ESOP's expense was calculated by the "shares allocated" method.

The Company stock fund and the ESOP held \$648.1 million and \$610.3 million of Company common stock as of May 29, 2011, and May 30, 2010.

NOTE 14. INCOME TAXES

The components of earnings before income taxes and after-tax earnings from joint ventures and the corresponding income taxes thereon are as follows:

In Millions	Fiscal Year		
	2011	2010	2009
Earnings before income taxes and after-tax earnings from joint ventures:			
United States	\$2,144.8	\$2,060.4	\$1,717.5
Foreign	283.4	144.1	224.7
Total earnings before income taxes and after-tax earnings from joint ventures	\$2,428.2	\$2,204.5	\$1,942.2
Income taxes:			
Currently payable:			
Federal	\$ 370.0	\$ 616.0	\$ 457.8
State and local	76.9	87.4	37.3
Foreign	68.9	45.5	9.5
Total current	515.8	748.9	504.6
Deferred:			
Federal	178.9	38.5	155.7
State and local	30.8	(4.9)	36.3
Foreign	(4.4)	(11.3)	23.8
Total deferred	205.3	22.3	215.8
Total income taxes	\$ 721.1	\$ 771.2	\$ 720.4

The following table reconciles the United States statutory income tax rate with our effective income tax rate:

	Fiscal Year		
	2011	2010	2009
United States statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal tax benefits	2.7	2.5	2.9
Foreign rate differences	(2.0)	(1.8)	(2.3)
Enactment date effect of health care reform	—	1.3	—
Court decisions and audit settlements	(3.7)	—	2.7
Domestic manufacturing deduction	(1.6)	(1.8)	(1.1)
Other, net	(0.7)	(0.2)	(0.1)
Effective income tax rate	29.7%	35.0%	37.1%

The tax effects of temporary differences that give rise to deferred tax assets and liabilities are as follows:

In Millions	May 29, 2011	May 30, 2010
Accrued liabilities	\$ 129.5	\$ 148.5
Compensation and employee benefits	582.9	584.9
Pension liability	74.1	183.8
Tax credit carryforwards	62.0	—
Stock, partnership, and miscellaneous investments	500.6	474.9
Capital losses	92.1	93.1
Net operating losses	140.9	119.9
Other	123.7	150.7
Gross deferred tax assets	1,705.8	1,755.8
Valuation allowance	404.5	392.0
Net deferred tax assets	1,301.3	1,363.8
Brands	1,289.1	1,279.5
Fixed assets	394.6	307.6
Intangible assets	122.3	107.4
Tax lease transactions	63.0	68.7
Inventories	53.0	55.6
Stock, partnership, and miscellaneous investments	424.5	348.2
Unrealized hedges	34.9	11.4
Other	20.0	17.3
Gross deferred tax liabilities	2,401.4	2,195.7
Net deferred tax liability	\$1,100.1	\$ 831.9

In fiscal 2011, we changed the classification of certain gross deferred tax assets and liabilities to better reflect current components and reclassified the components for fiscal 2010 to conform to the current year presentation.

We have established a valuation allowance against certain of the categories of deferred tax assets described above as current evidence does not suggest we will realize sufficient taxable income of the appropriate character (e.g., ordinary income versus capital gain income) within the carry forward period to allow us to realize these deferred tax benefits.

Of the total valuation allowance of \$404.5 million, \$168.2 million relates to a deferred tax asset for losses recorded as part of the Pillsbury acquisition. Of the remaining valuation allowance, \$92.1 million relates to capital loss carryforwards and \$140.9 million relates to state and foreign operating loss carryforwards. We have approximately \$60.2 million of U.S. foreign tax credit carryforwards for which no valuation allowance has been recorded. As of May 29, 2011, we believe it is more likely than not that the remainder of our deferred tax assets are realizable.

The carryforward periods on our foreign loss carryforwards are as follows: \$102.0 million do not expire; \$8.9 million expire in fiscal 2012 and 2013; and \$18.3 million expire in fiscal 2014 and beyond.

We have not recognized a deferred tax liability for unremitted earnings of \$2.4 billion from our foreign operations because our subsidiaries have invested or will invest the undistributed earnings indefinitely, or the earnings will be remitted in a tax-free transaction. It is not practicable for us to determine the amount of unrecognized deferred tax liabilities on these indefinitely reinvested earnings. Deferred taxes are recorded for earnings of our foreign operations when we determine that such earnings are no longer indefinitely reinvested.

We are subject to federal income taxes in the United States as well as various state, local, and foreign jurisdictions. A number of years may elapse before an uncertain tax position is audited and finally resolved. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, we believe that our liabilities for income taxes reflect the most likely outcome. We adjust these liabilities, as well as the related interest, in light of changing facts and circumstances. Settlement of any particular position would usually require the use of cash.

The number of years with open tax audits varies depending on the tax jurisdiction. Our major taxing jurisdictions include the United States (federal and state) and Canada. The IRS has completed its review of our federal income tax returns for fiscal years 2008 and prior and has proposed adjustments related to the amount of research and development tax credits claimed. We have appealed these proposed adjustments.

During fiscal 2011, we reached a settlement with the IRS concerning certain corporate income tax adjustments for fiscal years 2002 to 2008. The adjustments primarily relate to the amount of capital loss, depreciation, and amortization we reported as a result of the sale of noncontrolling interests in our GMC subsidiary. As a result, we recorded a \$108.1 million reduction in our total liabilities for uncertain tax positions in fiscal 2011. We made payments totaling \$385.3 million in fiscal 2011 related to this settlement. In addition, we made a payment of \$17.6 million in fiscal 2009 related to adjustments made in connection with IRS audits of fiscal years 2004 to 2006.

During 2011, the Superior Court of the State of California issued an adverse decision concerning our state income tax apportionment calculations. As a result,

we recorded an \$11.5 million increase in our total liabilities for uncertain tax positions. We believe our positions are supported by substantial technical authority and have appealed this decision. We do not expect to make a payment related to this matter until it is definitively resolved.

In fiscal 2009, the U.S. Court of Appeals for the Eighth Circuit issued an opinion reversing a district court decision rendered in fiscal 2008. As a result, we recorded \$52.6 million (including interest) of income tax expense in fiscal 2009 related to the reversal of cumulative income tax benefits from this uncertain tax matter recognized in fiscal years 1992 through 2008. All outstanding liabilities associated with this matter were paid during fiscal 2011.

Various tax examinations by United States state taxing authorities could be conducted for any open tax year, which vary by jurisdiction, but are generally from 3 to 5 years. Currently, several state examinations are in progress. The Canada Revenue Agency (CRA) has completed its review of our income tax returns in Canada for fiscal years 2003 to 2005. The CRA has raised assessments for these years that we are currently appealing. We believe our positions are supported by substantial technical authority and are vigorously defending our positions. We do not anticipate that any United States or Canadian tax adjustments will have a significant impact on our financial position or results of operations.

We apply a more-likely-than-not threshold to the recognition and derecognition of uncertain tax positions. Accordingly we recognize the amount of tax benefit that has a greater than 50 percent likelihood of being ultimately realized upon settlement. Future changes in judgment related to the expected ultimate resolution of uncertain tax positions will affect earnings in the quarter of such change.

The following table sets forth changes in our total gross unrecognized tax benefit liabilities, excluding accrued interest, for fiscal 2011. Approximately \$152 million of this total represents the amount that, if recognized, would affect our effective income tax rate in future periods. This amount differs from the gross unrecognized tax benefits presented in the table because certain of the liabilities below would impact deferred taxes if recognized or are the result of stock compensation items impacting additional paid-in capital. We also would record a decrease in U.S. federal income taxes upon recognition of the state tax benefits included therein.

In Millions	Fiscal Year	
	2011	2010
Balance, beginning of year	\$552.9	\$570.1
Tax positions related to current year:		
Additions	25.0	19.7
Tax positions related to prior years:		
Additions	75.6	7.1
Reductions	(131.2)	(37.6)
Settlements	(287.9)	(1.9)
Lapses in statutes of limitations	(8.2)	(4.5)
Balance, end of year	\$226.2	\$552.9

As of May 29, 2011, we do not expect to pay any unrecognized tax benefit liabilities within the next 12 months. We are not able to reasonably estimate the timing of future cash flows beyond 12 months due to uncertainties in the timing of tax audit outcomes. The remaining amount of our unrecognized tax liability was classified in other liabilities.

We report accrued interest and penalties related to unrecognized tax benefit liabilities in income tax expense. For fiscal 2011, we recognized a net benefit of \$10.5 million associated with tax-related net interest and penalties, and had \$53.4 million of accrued interest and penalties as of May 29, 2011. For fiscal 2010, we recognized a net \$16.2 million of tax-related interest and penalties, and had \$174.8 million of accrued interest and penalties as of May 30, 2010.

NOTE 15. LEASES AND OTHER COMMITMENTS

An analysis of rent expense by type of property for operating leases follows:

In Millions	Fiscal Year		
	2011	2010	2009
Warehouse space	\$ 63.4	\$ 55.7	\$ 51.4
Equipment	32.1	30.6	39.1
Other	56.9	51.6	49.5
Total rent expense	\$ 152.4	\$ 137.9	\$ 140.0

Some operating leases require payment of property taxes, insurance, and maintenance costs in addition to the rent payments. Contingent and escalation rent in excess of minimum rent payments and sublease income netted in rent expense were insignificant.

Noncancelable future lease commitments are:

In Millions	Operating Leases	Capital Leases
2012	\$ 74.4	\$ 2.2
2013	52.5	1.8
2014	36.4	0.9
2015	26.1	0.5
2016	22.6	0.3
After 2016	49.4	0.2
Total noncancelable future lease commitments	\$261.4	\$ 5.9
Less: interest		\$(0.4)
Present value of obligations under capital leases		\$ 5.5

These future lease commitments will be partially offset by estimated future sublease receipts of approximately \$13 million. Depreciation on capital leases is recorded as depreciation expense in our results of operations.

As of May 29, 2011, we have issued guarantees and comfort letters of \$591.2 million for the debt and other obligations of consolidated subsidiaries, and guarantees and comfort letters of \$340.6 million for the debt and other obligations of non-consolidated affiliates, mainly CPW. In addition, off-balance sheet arrangements are generally limited to the future payments under non-cancelable operating leases, which totaled \$261.4 million as of May 29, 2011.

We are involved in various claims, including environmental matters, arising in the ordinary course of business. In the opinion of management, the range of reasonably possible losses on these matters, either individually or in aggregate, will not have a material adverse effect on our financial position or results of operations.

NOTE 16. BUSINESS SEGMENT AND GEOGRAPHIC INFORMATION

We operate in the consumer foods industry. We have three operating segments by type of customer and geographic region as follows: U.S. Retail, 68.3 percent of our fiscal 2011 consolidated net sales; International, 19.3 percent of our fiscal 2011 consolidated net sales; and Bakeries and Foodservice, 12.4 percent of our fiscal 2011 consolidated net sales.

Our U.S. Retail segment reflects business with a wide variety of grocery stores, mass merchandisers, membership stores, natural food chains, and drug, dollar and discount chains operating throughout the United States. Our major product categories in this business segment are ready-to-eat cereals, refrigerated yogurt,

ready-to-serve soup, dry dinners, shelf stable and frozen vegetables, refrigerated and frozen dough products, dessert and baking mixes, frozen pizza and pizza snacks, grain, fruit and savory snacks, and a wide variety of organic products including soup, granola bars, and cereal.

In Canada, our major product categories are ready-to-eat cereals, shelf stable and frozen vegetables, dry dinners, refrigerated and frozen dough products, dessert and baking mixes, frozen pizza snacks, and grain and fruit snacks. In markets outside North America, our product categories include super-premium ice cream and frozen desserts, refrigerated yogurt, grain snacks, shelf stable and frozen vegetables, refrigerated and frozen dough products, and dry dinners. Our International segment also includes products manufactured in the United States for export, mainly to Caribbean and Latin American markets, as well as products we manufacture for sale to our international joint ventures. Revenues from export activities are reported in the region or country where the end customer is located.

In our Bakeries and Foodservice segment our major product categories are cereals, snacks, yogurt, unbaked and fully baked frozen dough products, baking mixes, and flour. Many products we sell are branded to the consumer and nearly all are branded to our customers. We sell to distributors and operators in many customer channels including foodservice, convenience stores, vending, and supermarket bakeries. Substantially all of this segment's operations are located in the United States.

Operating profit for these segments excludes unallocated corporate items, restructuring, impairment, and other exit costs, and divestiture gains and losses. Unallocated corporate items include corporate overhead expenses, variances to planned domestic employee benefits and incentives, annual contributions to the General Mills Foundation, and other items that are not part of our measurement of segment operating performance. These include gains and losses arising from the revaluation of certain grain inventories and gains and losses from mark-to-market valuation of certain commodity positions until passed back to our operating segments. These items affecting operating profit are centrally managed at the corporate level and are excluded from the measure of segment profitability reviewed by executive management. Under our supply chain organization, our manufacturing, warehouse, and distribution activities are substantially integrated across our operations in order to maximize efficiency and productivity. As a result, fixed assets and depreciation and amortization

expenses are neither maintained nor available by operating segment.

As discussed in Note 1, at the beginning of fiscal 2011 we revised certain SG&A expense classifications between segment operating profit and unallocated corporate items and shifted selling responsibility for a customer from our Bakeries and Foodservice segment to the U.S. Retail segment. All prior period amounts have been restated to conform to the current period presentation.

Our operating segment results were as follows:

In Millions	Fiscal Year		
	2011	2010	2009
Net sales:			
U.S. Retail	\$10,163.9	\$10,209.8	\$ 9,973.6
International	2,875.5	2,684.9	2,571.8
Bakeries and Foodservice	1,840.8	1,740.9	2,010.4
Total	\$14,880.2	\$14,635.6	\$14,555.8
Operating profit:			
U.S. Retail	\$ 2,347.9	\$ 2,385.2	\$ 2,206.6
International	291.4	192.1	239.2
Bakeries and Foodservice	306.3	263.2	178.4
Total segment operating profit	2,945.6	2,840.5	2,624.2
Unallocated corporate items	184.1	203.0	342.5
Divestitures (gain), net	(17.4)	—	(84.9)
Restructuring, impairment, and other exit costs	4.4	31.4	41.6
Operating profit	\$ 2,774.5	\$ 2,606.1	\$ 2,325.0

The following table provides financial information by geographic area:

In Millions	Fiscal Year		
	2011	2010	2009
Net sales:			
United States	\$11,987.8	\$11,934.4	\$11,942.1
Non-United States	2,892.4	2,701.2	2,613.7
Total	\$14,880.2	\$14,635.6	\$14,555.8

In Millions	May 29, 2011	May 30, 2010
	Cash and cash equivalents:	
United States	\$123.7	\$ 66.1
Non-United States	495.9	607.1
Total	\$619.6	\$673.2

In Millions	May 29, 2011	May 30, 2010
	Land, buildings, and equipment:	
United States	\$2,752.1	\$2,619.7
Non-United States	593.8	508.0
Total	\$3,345.9	\$3,127.7

NOTE 17. SUPPLEMENTAL INFORMATION

The components of certain Consolidated Balance Sheet accounts are as follows:

In Millions	May 29, 2011	May 30, 2010
Receivables:		
From customers	\$1,178.6	\$1,057.4
Less allowance for doubtful accounts	(16.3)	(15.8)
Total	\$1,162.3	1,041.6

In Millions	May 29, 2011	May 30, 2010
Inventories:		
Raw materials and packaging	\$ 286.2	\$ 247.5
Finished goods	1,273.6	1,131.4
Grain	218.0	107.4
Excess of FIFO or weighted-average cost over LIFO cost ^(a)	(168.5)	(142.3)
Total	\$1,609.3	\$1,344.0

(a) Inventories of \$1,034.1 million as of May 29, 2011, and \$958.3 million as of May 30, 2010, were valued at LIFO.

In Millions	May 29, 2011	May 30, 2010
Prepaid expenses and other current assets:		
Prepaid expenses	\$161.0	\$127.5
Accrued interest receivable, including interest rate swaps	29.0	64.9
Derivative receivables, primarily commodity-related	109.1	48.8
Other receivables	104.7	101.4
Grain contracts	57.3	11.4
Miscellaneous	22.4	24.5
Total	\$483.5	\$378.5

In Millions	May 29, 2011	May 30, 2010
Land, buildings, and equipment:		
Land	\$ 61.2	\$ 58.0
Buildings	1,777.7	1,653.8
Buildings under capital lease	25.0	19.6
Equipment	4,719.7	4,405.6
Equipment under capital lease	18.9	25.0
Capitalized software	367.7	318.7
Construction in progress	521.9	469.0
Total land, buildings, and equipment	7,492.1	6,949.7
Less accumulated depreciation	(4,146.2)	(3,822.0)
Total	\$3,345.9	\$3,127.7

In Millions	May 29, 2011	May 30, 2010
Other assets:		
Pension assets	\$128.6	\$ 2.2
Investments in and advances to joint ventures	519.1	398.1
Life insurance	87.2	88.2
Derivative receivables	13.3	130.1
Miscellaneous	114.3	144.8
Total	\$862.5	\$763.4

In Millions	May 29, 2011	May 30, 2010
Other current liabilities:		
Accrued payroll	\$ 303.3	\$ 331.4
Accrued interest	114.0	136.5
Accrued trade and consumer promotions	463.0	555.2
Accrued taxes	80.4	440.2
Derivative payable	34.8	18.1
Accrued customer advances	36.4	25.5
Grain contracts	28.7	12.7
Miscellaneous	260.9	242.6
Total	\$1,321.5	\$1,762.2

In Millions	May 29, 2011	May 30, 2010
Other noncurrent liabilities:		
Interest rate swaps	\$ 22.2	\$ 180.2
Accrued compensation and benefits, including obligations for underfunded other postretirement and postemployment benefit plans	1,412.8	1,588.1
Accrued income taxes	233.3	276.3
Miscellaneous	64.9	74.1
Total	\$1,733.2	\$2,118.7

Certain Consolidated Statements of Earnings amounts are as follows:

In Millions	Fiscal Year		
	2011	2010	2009
Depreciation and amortization	\$472.6	\$457.1	\$453.6
Research and development expense	235.0	218.3	208.2
Advertising and media expense (including production and communication costs)	843.7	908.5	732.1

The components of interest, net are as follows:

Expense (Income), in Millions	Fiscal Year		
	2011	2010	2009
Interest expense	\$360.9	\$374.5	\$409.5
Capitalized interest	(7.2)	(6.2)	(5.1)
Interest income	(7.4)	(6.8)	(21.6)
Loss on debt repurchase	—	40.1	—
Interest, net	\$346.3	\$401.6	\$382.8

Certain Consolidated Statements of Cash Flows amounts are as follows:

In Millions	Fiscal Year		
	2011	2010	2009
Cash interest payments	\$333.1	\$384.1	\$292.8
Cash paid for income taxes	699.3	672.5	395.3

In fiscal 2009, we acquired Humm Foods by issuing 1.8 million shares of our common stock to its shareholders, with a value of \$55.0 million, as consideration. This acquisition is treated as a non-cash transaction in our Consolidated Statement of Cash Flows.

NOTE 18. QUARTERLY DATA (UNAUDITED)

Summarized quarterly data for fiscal 2011 and fiscal 2010 follows:

In Millions, Except Per Share Amounts	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	Fiscal Year		Fiscal Year		Fiscal Year		Fiscal Year	
	2011	2010	2011	2010	2011	2010	2011	2010
Net sales	\$3,533.1	\$3,482.4	\$4,066.6	\$4,034.7	\$3,646.2	\$3,589.3	\$3,634.3	\$3,529.2
Gross margin	1,524.3	1,440.8	1,634.0	1,728.3	1,430.8	1,359.8	1,364.4	1,271.3
Net earnings attributable to General Mills ^(a)	472.1	420.6	613.9	565.5	392.1	332.5	320.2	211.9
EPS:								
Basic	\$ 0.73	\$ 0.64	\$ 0.96	\$ 0.86	\$ 0.61	\$ 0.50	\$ 0.50	\$ 0.32
Diluted	\$ 0.70	\$ 0.62	\$ 0.92	\$ 0.83	\$ 0.59	\$ 0.48	\$ 0.48	\$ 0.31
Dividends per share	\$ 0.28	\$ 0.24	\$ 0.28	\$ 0.23	\$ 0.28	\$ 0.25	\$ 0.28	\$ 0.24
Market price of common stock:								
High	\$ 38.93	\$ 30.20	\$ 37.54	\$ 34.56	\$ 37.20	\$ 36.18	\$ 39.95	\$ 36.96
Low	\$ 33.57	\$ 25.59	\$ 34.99	\$ 28.99	\$ 34.60	\$ 34.00	\$ 35.99	\$ 34.74

(a) Net earnings in the fourth quarter of fiscal 2010 included interest expense of \$40.1 million related to the repurchase of certain notes and a non-cash income tax charge of \$35.0 million resulting from a change in deferred tax assets.

Glossary

AOCI. Accumulated other comprehensive income (loss).

Average total capital. Used for calculating return on average total capital. Notes payable, long-term debt including current portion, noncontrolling interests, and stockholders' equity, excluding AOCI and certain after-tax earnings adjustments. The average is calculated using the average of the beginning of fiscal year and end of fiscal year Consolidated Balance Sheet amounts for these line items.

Core working capital. Accounts receivable plus inventories less accounts payable, all as of the last day of our fiscal year.

Depreciation associated with restructured assets. The increase in depreciation expense caused by updating the salvage value and shortening the useful life of depreciable fixed assets to coincide with the end of production under an approved restructuring plan, but only if impairment is not present.

Derivatives. Financial instruments such as futures, swaps, options, and forward contracts that we use to manage our risk arising from changes in commodity prices, interest rates, foreign exchange rates, and stock prices.

Fixed charge coverage ratio. The sum of earnings before income taxes and fixed charges (before tax), divided by the sum of the fixed charges (before tax) and interest.

Generally Accepted Accounting Principles (GAAP). Guidelines, procedures, and practices that we are required to use in recording and reporting accounting information in our financial statements.

Goodwill. The difference between the purchase price of acquired companies and the related fair values of net assets acquired.

Hedge accounting. Accounting for qualifying hedges that allows changes in a hedging instrument's fair value to offset corresponding changes in the hedged item in the same reporting period. Hedge accounting is permitted for certain hedging instruments and hedged items only if the hedging relationship is highly effective, and only prospectively from the date a hedging relationship is formally documented.

Interest bearing instruments. Notes payable, long-term debt, including current portion, cash and cash equivalents, and certain interest bearing investments classified within prepaid expenses and other current assets and other assets.

LIBOR. London Interbank Offered Rate.

Mark-to-market. The act of determining a value for financial instruments, commodity contracts, and related assets or liabilities based on the current market price for that item.

Net mark-to-market valuation of certain commodity positions. Realized and unrealized gains and losses on derivative contracts that will be allocated to segment operating profit when the exposure we are hedging affects earnings.

Net price realization. The impact of list and promoted price changes, net of trade and other price promotion costs.

Noncontrolling interests. Interests of subsidiaries held by third parties.

Notional principal amount. The principal amount on which fixed-rate or floating-rate interest payments are calculated.

OCI. Other comprehensive income (loss).

Operating cash flow to debt ratio. Net cash provided by operating activities, divided by the sum of notes payable and long-term debt, including current portion.

Reporting unit. An operating segment or a business one level below an operating segment.

Return on average total capital. Net earnings attributable to General Mills, excluding after-tax net interest, and adjusted for certain items affecting year-over-year comparability, divided by average total capital.

Segment operating profit margin. Segment operating profit divided by net sales for the segment.

Supply chain input costs. Costs incurred to produce and deliver product, including ingredient and conversion costs, inventory management, logistics, warehousing, and others.

Total debt. Notes payable and long-term debt, including current portion.

Transaction gains and losses. The impact on our Consolidated Financial Statements of foreign exchange rate changes arising from specific transactions.

Translation adjustments. The impact of the conversion of our foreign affiliates' financial statements to U.S. dollars for the purpose of consolidating our financial statements.

Variable interest entities (VIEs). A legal structure that is used for business purposes that either (1) does not have equity investors that have voting rights and share in all the entity's profits and losses or (2) has equity investors that do not provide sufficient financial resources to support the entity's activities.

Working capital. Current assets and current liabilities, all as of the last day of our fiscal year.

Non-GAAP Measures

This report includes measures of financial performance that are not defined by generally accepted accounting principles (GAAP). For each of these non-GAAP financial measures, we are providing below a reconciliation of the differences between the non-GAAP measure and the most directly comparable GAAP measure. These non-GAAP measures are used in reporting to our executive

management and/or as a component of the board of director's measurement of our performance for incentive compensation purposes. Management and the board of directors believe that these measures provide useful information to investors. These non-GAAP measures should be viewed in addition to, and not in lieu of, the comparable GAAP measure.

TOTAL SEGMENT OPERATING PROFIT

In Millions	Fiscal Year				
	2011	2010	2009	2008	2007
Net sales:					
U.S. Retail	\$10,163.9	\$10,209.8	\$ 9,973.6	\$ 9,028.2	\$ 8,407.7
International	2,875.5	2,684.9	2,571.8	2,535.5	2,104.5
Bakeries and Foodservice	1,840.8	1,740.9	2,010.4	1,984.3	1,791.8
Total	\$14,880.2	\$14,635.6	\$14,555.8	\$13,458.0	\$12,303.9
Operating profit:					
U.S. Retail	\$ 2,347.9	\$ 2,385.2	\$ 2,206.6	\$ 1,976.7	\$ 1,921.3
International	291.4	192.1	239.2	247.5	200.6
Bakeries and Foodservice	306.3	263.2	178.4	170.2	151.1
Total segment operating profit	2,945.6	2,840.5	2,624.2	2,394.4	2,273.0
Memo: Segment operating profit as a % of net sales	19.8%	19.4%	18.0%	17.7 %	18.5%
Unallocated corporate items	184.1	203.0	342.5	144.2	174.8
Divestitures (gain), net	(17.4)	—	(84.9)	—	—
Restructuring, impairment and other exit costs	4.4	31.4	41.6	21.0	39.3
Operating Profit	\$ 2,774.5	\$ 2,606.1	\$ 2,325.0	\$ 2,229.2	\$ 2,058.9

ADJUSTED DILUTED EPS, EXCLUDING CERTAIN ITEMS AFFECTING COMPARABILITY

Per Share Data	Fiscal Year				
	2011	2010	2009	2008	2007
Diluted earnings per share, as reported	\$2.70	\$2.24	\$1.90	\$1.85	\$1.59
Mark-to-market effects ^(a)	(0.09)	0.01	0.11	(0.05)	—
Divestitures gain, net ^(b)	—	—	(0.06)	—	—
Gain from insurance settlement ^(c)	—	—	(0.04)	—	—
Uncertain tax items ^(d)	(0.13)	—	0.08	(0.04)	—
Tax charge - health care reform ^(e)	—	0.05	—	—	—
Diluted earnings per share, excluding certain items affecting comparability	\$2.48	\$2.30	\$1.99	\$1.76	\$1.59

(a) Net (gain) loss from mark-to-market valuation of certain commodity positions and grain inventories.

(b) Net gain on divestitures of certain product lines.

(c) Gain on settlement with insurance carrier covering the loss of a manufacturing facility in Argentina.

(d) Effects of court decisions and audit settlements on uncertain tax matters.

(e) Enactment date charges related to the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, affecting deferred taxes associated with Medicare Part D subsidies.

RETURN ON AVERAGE TOTAL CAPITAL

In Millions	Fiscal Year					
	2011	2010	2009	2008	2007	2006
Net earnings attributable to General Mills	\$ 1,798.3	\$ 1,530.5	\$ 1,304.4	\$ 1,294.7	\$ 1,143.9	
Interest, net, after-tax	243.5	261.1	240.8	263.8	242.9	
Earnings before interest, after-tax	2,041.8	1,791.6	1,545.2	1,558.5	1,386.8	
Mark-to-market effects	(60.0)	4.5	74.9	(35.9)	—	
Divestitures gain, net	—	—	(38.0)	—	—	
Gain from insurance settlement	—	—	(26.9)	—	—	
Uncertain tax items	(88.9)	—	52.6	(30.7)	—	
Tax charge - health care reform	—	35.0	—	—	—	
Earnings before interest, after-tax for return on capital calculation	\$ 1,892.9	\$ 1,831.1	\$ 1,607.8	\$ 1,491.9	\$ 1,386.8	
Current portion of long-term debt	\$ 1,031.3	\$ 107.3	\$ 508.5	\$ 442.0	\$ 1,734.0	\$ 2,131.5
Notes payable	311.3	1,050.1	812.2	2,208.8	1,254.4	1,503.2
Long-term debt	5,542.5	5,268.5	5,754.8	4,348.7	3,217.7	2,414.7
Total debt	6,885.1	6,425.9	7,075.5	6,999.5	6,206.1	6,049.4
Noncontrolling interests	246.7	245.1	244.2	246.6	1,139.2	1,136.2
Stockholders' equity	6,365.5	5,402.9	5,172.3	6,212.2	5,318.7	5,772.3
Total capital	13,497.3	12,073.9	12,492.0	13,458.3	12,664.0	12,957.9
Accumulated other comprehensive (income) loss	1,010.8	1,486.9	877.8	(173.1)	120.1	(125.4)
After-tax earnings adjustments ^(a)	(310.5)	(161.6)	(201.1)	(263.7)	(197.1)	(197.1)
Adjusted total capital	\$ 14,197.6	\$ 13,399.2	\$ 13,168.7	\$ 13,021.5	\$ 12,587.0	\$ 12,635.4
Adjusted average total capital	\$ 13,798.4	\$ 13,283.9	\$ 13,095.1	\$ 12,804.3	\$ 12,611.2	
Return on average total capital	13.7%	13.8%	12.3%	11.7%	11.0%	

(a) Sum of current year and previous year after-tax adjustments.

INTERNATIONAL SEGMENT AND REGION SALES GROWTH RATES EXCLUDING IMPACT OF FOREIGN EXCHANGE

The reconciliation of International segment and region sales growth rates as reported to growth rates excluding the impact of foreign currency exchange below demonstrates the effect of foreign currency exchange rate fluctuations from year to year. To present this information, current-period results for entities reporting in

currencies other than U.S. dollars are converted into U.S. dollars at the average exchange rates in effect during the corresponding period of the prior fiscal year, rather than the actual average exchange rates in effect during the current fiscal year. Therefore, the foreign currency impact is equal to current-year results in local currencies multiplied by the change in the average foreign currency exchange rates between the current fiscal period and the corresponding period of the prior fiscal year.

	Fiscal Year 2011		
	Percentage Change in Net Sales as Reported	Impact of Foreign Currency Exchange	Percentage Change in Net Sales on Constant Currency Basis
Europe	5%	(2)%	7%
Canada	8	5	3
Asia/Pacific	14	5	9
Latin America	(5)	(16)	11
Total International segment	7%	Flat	7%

WORLDWIDE NET SALES INCLUDING PROPORTIONATE SHARE OF ONGOING JOINT VENTURES

The 8th Continent business was sold in fiscal 2008. To view the performance of our joint ventures on an ongoing basis, we have provided certain information excluding 8th Continent. The reconciliation of this non-GAAP measure is shown in the following table:

In Millions	Fiscal Year				
	2011	2010	2009	2008	2007
Consolidated net sales	\$14,880	\$14,636	\$14,556	\$13,548	\$12,304
Proportionate share of ongoing joint venture net sales	1,222	1,180	1,133	1,091	985
Worldwide net sales, including proportionate share of ongoing joint ventures	\$16,102	\$15,816	\$15,689	\$14,639	\$13,289

PRO FORMA NET SALES FOR CERTAIN GLOBAL BUSINESSES

The components of the pro forma net sales for our five global businesses and the basis for calculating each component are described below.

Ready-to-eat Cereal

Fiscal 2011 U.S. net sales plus fiscal 2011 international net sales in local currency, translated to U.S. dollars (USD) utilizing an estimated fiscal 2011 foreign exchange rate set at the beginning of the fiscal year, and used for management reporting and planning purposes. Also includes our proportionate share of Cereal Partners Worldwide net sales, which represents fiscal 2011 net sales in local currency, translated to USD at monthly average actual rates.

Super-premium Ice Cream

Fiscal 2011 international net sales in local currency, translated to USD utilizing an estimated fiscal 2011 foreign exchange rate set at the beginning of the fiscal year, and used for management reporting and planning

purposes. For multi-year comparisons, all international net sales are converted from local currency to USD using the estimated fiscal 2011 foreign exchange rate. Also includes our proportionate share of Häagen-Dazs Japan net sales, which represents fiscal 2011 net sales in local currency, translated to USD at monthly average actual rates.

Convenient Meals and Wholesome Snack Bars

Fiscal 2011 U.S. net sales plus fiscal 2011 international net sales in local currency, translated to USD utilizing an estimated fiscal 2011 foreign exchange rate set at the beginning of the fiscal year, and used for management reporting and planning purposes. For multi-year comparisons, all international net sales are converted from local currency to USD using the estimated fiscal 2011 foreign exchange rate.

Refrigerated Yogurt

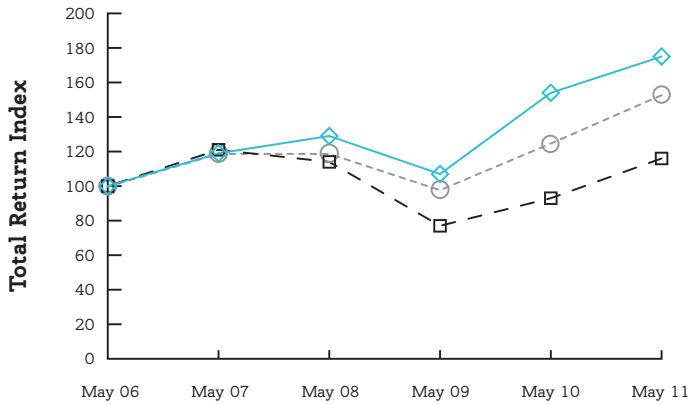
Fiscal 2011 U.S. net sales plus \$1.2 billion of estimated pro forma fiscal 2012 net sales from the international Yoplait yogurt business we acquired in July 2011.

Total Return to Stockholders

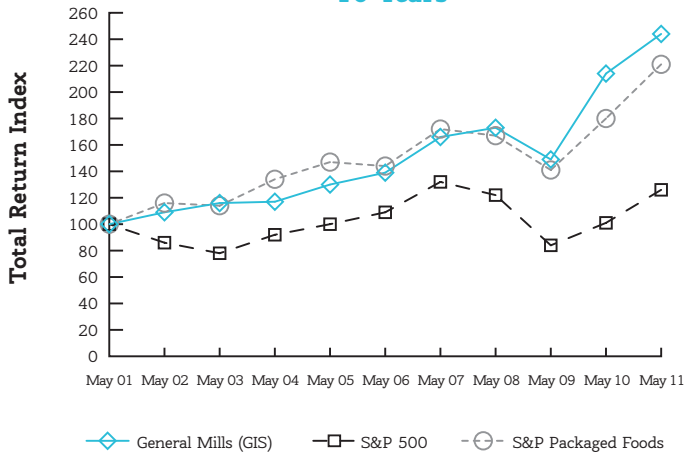
These line graphs compare the cumulative total return for holders of our common stock with the cumulative total return of the Standard & Poor's 500 Stock Index and Standard & Poor's 500 Packaged Foods Index for the last five-year and ten-year fiscal periods. The graphs assume the investment of \$100 in each of General Mills' common stock and the specified indexes at the beginning of the applicable period, and assume the reinvestment of all dividends.

On July 8, 2011, there were approximately 33,400 record holders of our common stock.

**Total Return to Stockholders
5 Years**



**Total Return to Stockholders
10 Years**



◆ General Mills (GIS) □ S&P 500 ○ S&P Packaged Foods

Shareholder Information

World Headquarters

Number One General Mills Boulevard
Minneapolis, MN 55426-1347
Phone: (763) 764-7600

Website

GeneralMills.com

Markets

New York Stock Exchange
Trading Symbol: GIS

Independent Auditor

KPMG LLP
4200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402-3900
Phone: (612) 305-5000

Investor Inquiries

General Shareholder Information:
Investor Relations Department
(800) 245-5703 or (763) 764-3202

Analysts/Investors:

Kristen S. Wenker
Vice President, Investor Relations
(763) 764-2607

Transfer Agent and Registrar

Our transfer agent can assist you with a variety of services, including change of address or questions about dividend checks.

Wells Fargo Bank, N.A.
161 North Concord Exchange
P.O. Box 64854
St. Paul, MN 55164-0854
Phone: (800) 670-4763 or (651) 450-4084
WellsFargo.com/shareownerservices

Electronic Access to Proxy Statement, Annual Report and Form 10-K

Shareholders who have access to the Internet are encouraged to enroll in the electronic delivery program. Please see the Investors section of our website, GeneralMills.com, or go directly to the website, ICSDelivery.com/GIS and follow the instructions to enroll. If your General Mills shares are not registered in your name, contact your bank or broker to enroll in this program.

Notice of Annual Meeting

The annual meeting of shareholders will be held at 11 a.m., Central Daylight Time, Sept. 26, 2011, at the Children's Theatre Company, 2400 Third Avenue South, Minneapolis, MN 55404-3597.

A ticket or proof of share ownership will be required for admission. Please refer to our Proxy Statement for information concerning admission to the meeting.

General Mills Direct Stock Purchase Plan

This plan provides a convenient and economical way to invest in General Mills stock. You can increase your ownership over time through purchases of common stock and reinvestment of cash dividends, without paying brokerage commissions and other fees on your purchases and reinvestments. For more information and a copy of a plan prospectus, go to the Investors section of our website at GeneralMills.com.

Holiday Gift Boxes



General Mills Gift Boxes are a part of many shareholders' December holiday traditions. To request an order form, call us toll free at (888) 469-7809 or write, including your name, street address, city, state, zip code and phone number (including area code) to:

2011 General Mills Holiday Gift Box
Department 7803
P.O. Box 5011
Stacy, MN 55078-5011

Or you can place an order online at:
GMIHolidayGiftBox.com

Please contact us after Oct. 1, 2011.

Visit us on the Web

We have a variety of websites that appeal to consumers around the world. Below is a selection of our most popular sites. For a more complete list, see the "Our websites" page on GeneralMills.com.

U.S. Sites

Cheerios.com

Pillsbury.com

Yoplait.com

Larabar.com

BettyCrocker.com

Get recipes, cooking tips and view instructional videos

BoxTops4Education.com

Sign up to support your school

EatBetterAmerica.com

Simple ways to eat healthy, including healthier versions of your favorite recipes

QueRicaVida.com

Recipes and nutritional information for Hispanic consumers

Tablespoon.com

Download coupons, recipes and more for a variety of our brands

International Sites

HaagenDazs.com.cn (China)

HaagenDazs.fr (France)

NatureValley.co.uk (United Kingdom)

OldElPaso.com.au (Australia)

LifeMadeDelicious.ca (Canada)

Get recipes, promotions and entertaining ideas for many of our brands

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GENERAL MILLS

Number One General Mills Boulevard
Minneapolis, MN 55426-1347
GeneralMills.com



What started 70 years ago as a brand new cereal has become a mainstay on millions of breakfast tables. Today, one of every eight boxes of cereal sold in the U.S. is a Cheerios variety.

