

2014 ANNUAL REPORT

General Mills



PUTTING THE CONSUMER

FIRST

Our Fiscal 2014 Financial Highlights

In millions, except per share and return on capital data	52 weeks ended May 25, 2014	52 weeks ended May 26, 2013	Change
Net Sales	\$ 17,910	\$ 17,774	+ 1%
Adjusted Segment Operating Profit*	\$ 3,154	\$ 3,223	- 2%
Net Earnings Attributable to General Mills	\$ 1,824	\$ 1,855	- 2%
Diluted Earnings per Share (EPS)	\$ 2.83	\$ 2.79	+ 1%
Adjusted Diluted EPS, Excluding Certain Items Affecting Comparability*	\$ 2.82	\$ 2.72	+ 4%
Return on Average Total Capital*	11.6%	12.0%	-40 basis pts.
Average Diluted Shares Outstanding	646	666	- 3%
Dividends per Share	\$ 1.55	\$ 1.32	+17%

NET SALES

Dollars in millions



ADJUSTED SEGMENT OPERATING PROFIT*

Dollars in millions



ADJUSTED DILUTED EARNINGS PER SHARE*

Dollars



DIVIDENDS PER SHARE

Dollars



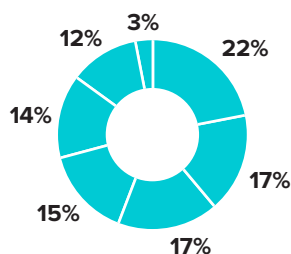
*See page 87 for discussion of non-GAAP measures.

Putting the Consumer First

At General Mills, our key strategy for growing our worldwide food businesses is to **Put the Consumer First**. We work to connect with consumers and develop deep insight into what they like to eat, where they shop for food, and how they approach cooking today. From product development to manufacturing to distribution, marketing and sales, our focus is on meeting consumers' evolving preferences and needs for high-quality, nutritious, convenient and great-tasting food.



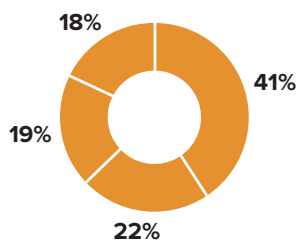
General Mills at a Glance



U.S. RETAIL
Net Sales by Division

\$10.6 Billion

- 22%** Big G Cereals
- 17%** Baking Products
- 17%** Snacks
- 15%** Frozen Foods
- 14%** Meals
- 12%** Yoplait USA
- 3%** Small Planet Foods

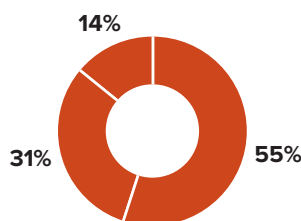


INTERNATIONAL
Net Sales by Region

\$5.4 Billion

- 41%** Europe*
- 22%** Canada
- 19%** Latin America
- 18%** Asia/Pacific**

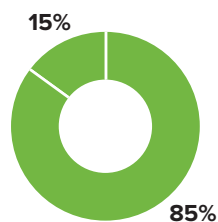
*Includes Australia and New Zealand
**Includes the Middle East and Africa



CONVENIENCE STORES AND FOODSERVICE
Net Sales by Brand Type

\$1.9 Billion

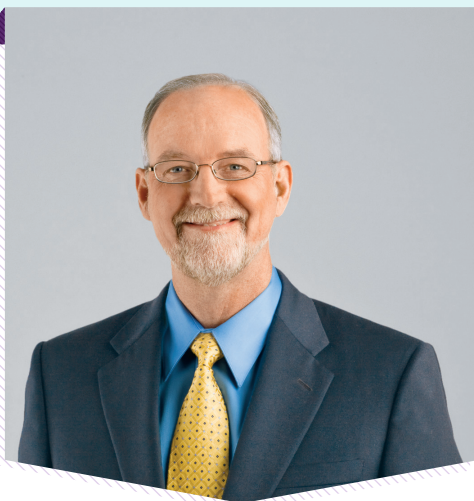
- 55%** Branded to Foodservice Operators
- 31%** Branded to Consumers
- 14%** Unbranded



JOINT VENTURES
Net Sales by Joint Venture
(not consolidated, proportionate share)

\$1.3 Billion

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



KEN POWELL

Chairman and Chief Executive Officer

To Our Shareholders

Our plans for the fiscal year ended May 25, 2014, called for sales and earnings growth consistent with our long-term business model, and increased cash returns to our shareholders. We made good progress building our worldwide food businesses in both developed and emerging markets. And we returned more than \$2.7 billion in cash to shareholders through a 17 percent dividend increase and significant share repurchases.

But sales and profit results fell short of our targets.

Fiscal 2014 net sales increased 1 percent to \$17.9 billion, including three incremental months of contribution from the Yoki Alimentos (Brazil) and Yoplait Canada businesses added during the previous year. Gross margin declined in 2014, as increased promotional spending generated less volume than planned and international operations became a larger part of overall business mix. Adjusted segment operating profit was 2 percent lower for the year. On the bottom line, fiscal 2014 net earnings attributable to General Mills totaled \$1.8 billion and diluted earnings per share (EPS) totaled \$2.83. Adjusted diluted EPS, which excludes certain items affecting comparability, grew 4 percent to \$2.82.

The operating environment for food manufacturers in 2014 was characterized by slow rates of sales growth in developed markets, with better trends in the world's emerging markets. In our core market — the United States — retail food and beverage industry sales grew just 1.5 percent across channels tracked by Nielsen. This compares to 3.5 percent average

industry sales growth over the past five years. Input costs were a headwind for most food companies during the year; in our case, input costs were up 4 percent.

Net sales for our **U.S. Retail operating segment** essentially matched year-ago results at \$10.6 billion. Our Snacks division, Small Planet Foods (which markets organic and natural products), and our Big G Cereals division led U.S. Retail sales performance for the year. New products launched during 2014 contributed more than 5 percent of annual shipment volume. *Yoplait Greek 100* calorie yogurt, *Fiber One* snack bars, *Vanilla Chex* gluten-free cereal, *Old El Paso* frozen entrees and *Nature Valley* Protein granola made particularly strong contributions to annual sales growth. Our brands held or gained dollar market share in categories representing nearly two-thirds of our retail sales in Nielsen-measured outlets. Operating profit for the U.S. Retail segment totaled \$2.3 billion, down 3 percent.

U.S. RETAIL MARKET SHARE TRENDS

Dollars in billions, fiscal 2014

Category	Category Retail Sales	Our Dollar Share	Share Change vs. Prior Year
Grain Snacks	\$3.2	41.3%	+3.8 pts.
Frozen Hot Snacks	\$2.1	24.4%	+1.0
Fruit Snacks	\$1.0	47.7%	+0.9
Ready-to-serve Soup	\$1.9	39.5%	+0.7
Mexican Products*	\$2.7	17.4%	+0.5
Frozen Pizza	\$4.3	9.1%	+0.5
Ready-to-eat Cereal	\$9.0	31.0%	+0.3
Refrigerated Baked Goods	\$2.0	70.0%	0.0
Dessert Mixes	\$1.8	39.7%	-0.9
Dry Packaged Dinners	\$2.4	16.3%	-1.8
Yogurt	\$7.2	24.1%	-2.3

*Excludes snack aisle

Source: Nielsen Expanded All Outlets

Our **Convenience Stores and Foodservice segment** competes primarily in U.S. channels for food eaten away from home. In 2014, net sales for this segment totaled \$1.9 billion, 2 percent below prior-year results. Operating profit of \$307 million also was down 2 percent. Over the last several years, we have been re-shaping this business portfolio to focus on six key platforms: cereal, snacks, yogurt, mixes, biscuits and frozen breakfast items. These priority businesses, which account for more than two-thirds of the segment's operating profit, posted combined sales growth of 4 percent for the year.

Net sales for our **International segment** grew 4 percent in 2014 to \$5.4 billion. Adjusted operating profit, which excludes the effects of Venezuelan currency devaluation, also grew 4 percent to \$535 million. Foreign exchange translation reduced these reported sales and earnings growth rates; on a constant-currency basis, International sales grew 8 percent and adjusted operating profit rose 10 percent. Net sales for our Latin American region crossed the \$1 billion threshold, with strong growth on the base business and a full year of Yoki operations included in 2014. And sales in the Asia/Pacific region grew 9 percent on a constant-currency basis, powered by another year of double-digit sales growth in Greater China.

INTERNATIONAL PERFORMANCE BY GEOGRAPHIC REGION

Dollars in millions, fiscal 2014

	Net Sales	% Growth in Constant Currency*
Europe	\$ 2,189	-4%
Canada	\$ 1,195	+5%
Latin America	\$ 1,020	+38%
Asia/Pacific	\$ 982	+9%
Total International Segment	\$5,386	+8%

*See page 87 for discussion of non-GAAP measures.

Beyond these three operating segments, General Mills holds 50-percent non-consolidated interests in two **joint ventures** outside North America. Together, Cereal Partners Worldwide (CPW) and Häagen-Dazs Japan (HDJ) contributed \$90 million in after-tax earnings in 2014. This was 9 percent below prior-year results, reflecting higher consumer marketing investment by CPW and negative foreign currency exchange effects for HDJ.

General Mills has a strong track record of returning cash to shareholders and, by any measure, 2014 was a banner year in this regard. We returned more than \$2.7 billion in cash to our equity holders through dividends of \$1.55 per share and share repurchases that reduced our average number of diluted shares outstanding by 3 percent. We most recently increased the quarterly dividend for General Mills common stock effective with the May 2014 payment. The current annualized rate of \$1.64 per share represents a yield of roughly 3 percent at recent market prices for General Mills stock. General Mills and its predecessor firm have paid shareholder dividends without interruption or reduction for 115 years.

TOTAL SHAREHOLDER RETURNS

Stock price appreciation plus reinvested dividends, percent growth

FISCAL 2014



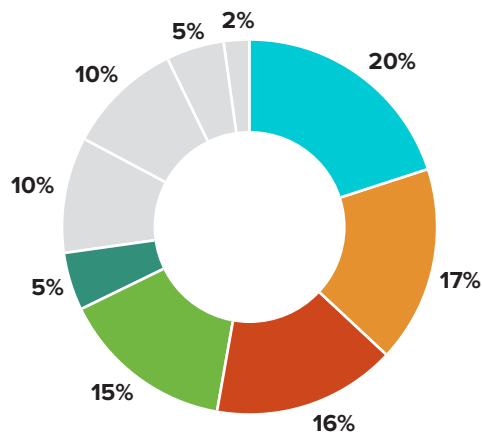
LAST FIVE FISCAL YEARS

Compound annual growth



Source: Bloomberg

Our Business Portfolio Is a Strategic Advantage



FISCAL 2014 Net Sales by Platform

\$19.2 Billion*

- 20% Ready-to-eat Cereal
- 17% Snacks
- 16% Yogurt
- 15% Convenient Meals
- 5% Super-premium Ice Cream
- 10% Dough
- 10% Baking Aisle Products
- 5% Vegetables
- 2% Other

*Non-GAAP measure. Includes \$17.9 billion consolidated net sales plus \$1.1 billion proportionate share of CPW (cereal) net sales plus \$0.2 billion proportionate share of HDJ (ice cream) net sales.

Our Five Global Categories Are Large and Growing

Category	2013 Retail Sales in Billions	Projected Growth*
Ready-to-eat Cereal	\$ 28	5%
Ice Cream	\$ 77	7%
Yogurt	\$ 80	9%
Ready Meals	\$ 91	5%
Sweet & Savory Snacks	\$305	6%

*Projected 5-year compound rate
Source: Euromonitor, calendar 2013

The combination of consistent earnings per share growth, which drives stock price appreciation over time, plus an attractive dividend yield has resulted in double-digit returns to General Mills shareholders over virtually any extended time period. In fiscal 2014, total return to General Mills shareholders through stock price appreciation and dividends was 13 percent. Over the last five years, the compound annual return to holders of GIS stock was 20 percent, outpacing the S&P 500 Index. We remain committed to delivering superior returns to our shareholders in the years ahead.

Accelerating Topline Growth in 2015

As we turn to our 2015 fiscal year, our number one priority is to accelerate our net sales growth. And our key strategy for doing that is to focus more tightly than ever on our consumers — what they like to eat, where they like to shop, and how they approach cooking today. In particular, we are focused on four key demographic groups: the rising wave of middle-class consumers in emerging markets; adults 55 and older; the Millennial generation; and U.S. multicultural consumers. You can read more about what makes these consumer groups so compelling to us on the following pages of this report.

Our business portfolio will help us to grow with these key consumer groups. Today, more than 70 percent of our worldwide sales are concentrated in five categories that are sharply on trend with consumers' demand for great-tasting, nutritious and convenient foods:

- **Ready-to-eat cereal** is our biggest business, generating roughly \$4 billion in net sales worldwide — that's including our share of CPW sales.
- **Snacks** is now our second-largest product category, generating more than \$3.2 billion in worldwide net sales.
- **Yogurt** became a global business for us in fiscal 2012 with the acquisition of a controlling interest in the Yoplait parent company. Today, our yogurt brands generate nearly \$3 billion in net sales.
- We've got a terrific assortment of **convenient meal** choices for busy consumers across the globe — these products account for \$2.8 billion in net sales.
- And we market the world's best-loved **ice cream** brand — *Häagen-Dazs*. This business generated nearly \$1 billion in net sales last year, including our share of the joint venture in Japan.
- We also hold leading brand positions in select categories in the U.S. market — most notably baking products in the dessert aisle and the refrigerated case.

Consumers around the world are generating strong retail sales for our priority categories. The table at left shows

A Selection of Products That Generated Good Growth in Fiscal 2014



Euromonitor’s estimation of category size and projected growth rate. As you can see, these categories are large, and each one is projected to grow at a mid- or high-single-digit rate in the years ahead. We see strong opportunities to grow net sales for our brands in these categories.

We also see strong opportunities to increase the profitability of our worldwide food businesses. Supply chain savings from our ongoing Holistic Margin Management (HMM) program are expected to exceed \$400 million in 2015. We anticipate these savings will offset input cost inflation, which we estimate at 3 percent for the new year.

Beyond HMM, we have started work on several new cost-reduction initiatives designed to boost our efficiency and sharpen focus behind our key growth strategies. A formal review of our North American manufacturing and distribution network is designed to streamline operations and identify potential capacity reductions. We also have initiated efforts focused on further reducing overhead costs. Together, these new cost-reduction efforts are targeted to generate savings of \$40 million pretax in fiscal 2015, with additional savings expected in fiscal 2016.

General Mills Long-term Growth Model

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

Our 2015 plans call for constant-currency sales and earnings growth consistent with our long-term model. And we expect our operations to generate strong cash flows again this year that will fund our fixed asset investment needs, increased shareholder dividends and ongoing share repurchases. We are energized by our growth plans for the new year.

General Mills People Are the Key to our Success

Our company’s strong track record and exciting future prospects are a reflection of the talent and ambition of General Mills’ 43,000 people around the world. It’s a privilege for me to work with this team every day on your behalf.

Two members of our senior leadership team retired during fiscal 2014. Ian Friendly and Christi Strauss made important and lasting contributions to General Mills, and we thank them for their many years of dedicated service. We also thank Bill Esrey, who is retiring from our board of directors this September following 25 years of distinguished service.

In closing, I’d like to thank you for your investment in General Mills. We appreciate your confidence in our business, and we look forward to reporting on our continuing growth.

Kendall J. Powell
Chairman and Chief Executive Officer
August 1, 2014



Convenient and Great-tasting

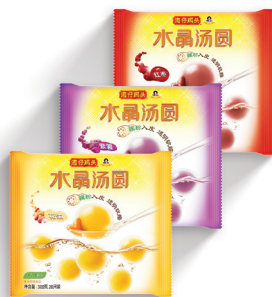


HÄAGEN-DAZS ICE CREAM

Häagen-Dazs super-premium ice cream is now available in more than 50 cities across China. Sales for this “affordable luxury” grew 14 percent on a constant-currency basis in 2014 as we opened more than 80 new shops in select Chinese markets. Our plans call for more store openings and an increased presence in grocery outlets with new flavor varieties coming in 2015.

WANCHAI FERRY FOODS

The *Wanchai Ferry* brand posted another year of double-digit sales growth in China in 2014. These frozen dumplings and dim sum are a convenient way to prepare traditional Chinese favorites. In 2014, we introduced a translucent version of tangyuan with great success. We’re innovating to provide new flavors and forms of tangyuan in 2015.



YOKI IN BRAZIL

Our sales in Latin America crossed the \$1 billion mark in 2014, led by double-digit, constant-currency growth in Brazil. The *Yoki* portfolio includes snacks, meals and now dessert mixes — all great-tasting and easy-to-prepare options for busy Brazilian families. We see many opportunities ahead to drive growth through innovation on the well-established *Yoki* brand.

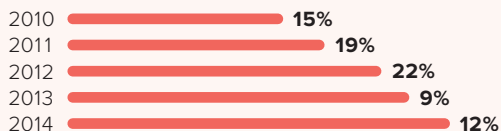
CEREAL PARTNERS WORLDWIDE

Cereal Partners Worldwide (CPW) is the cereal category leader in many emerging markets around the world, including Indonesia, Malaysia and the Philippines. Fitness is CPW’s largest brand, targeting consumers focused on nutrition and weight management. In Latin America, product improvements on our kid-oriented cereals make them lower in sugar with the same great taste.



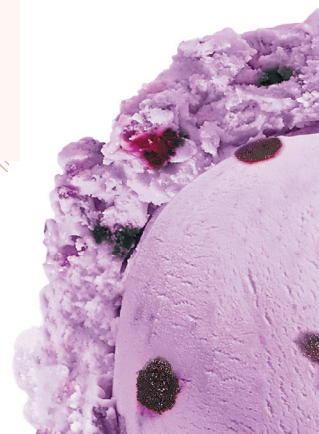
General Mills Net Sales in Greater China*

Constant currency, dollars in millions, percent growth



*Estimated net sales converting local currency data at a fixed exchange rate.

Our net sales in Greater China grew 12 percent on a constant-currency basis in fiscal 2014, reaching more than \$700 million. We’ve been growing our business in China at a double-digit compound rate over the past four years, and expect this pace to continue in this rapidly expanding market.





Reaching Consumers in Emerging Markets

The middle class is growing in emerging markets around the world, including Brazil, Indonesia, India and China. In these markets combined, the number of middle-class households is projected to grow by nearly 200 million from 2010 to 2020.

As their disposable income grows, families in emerging markets are seeking out more packaged foods to complement their increasingly busy lifestyles. We're customizing our products to meet the local tastes of consumers in many markets worldwide.



YOKI IS ON THE BALL

In conjunction with the world's premier soccer tournament held in Brazil this year, Yoki introduced limited-edition, world-inspired flavors of popcorn, potato chips and peanuts. German mustard popcorn or American bacon peanuts, anyone?



Tasty Options for Older Adults

Adults ages 55 and older make up 25 percent of the U.S. population today, and will grow to 30 percent of U.S. consumers by 2020.

These consumers are label readers. They look for simple ingredients in foods that meet a specific health need or contribute to a healthy lifestyle. They also appreciate smaller package sizes for two-person households. Our portfolio of great-tasting, nutritious foods is well-positioned to meet the needs of this large consumer group.



Senior living and healthcare facilities represent a growing foodservice channel. Our whole grain cereals and *Yoplait* yogurt are great fits for this channel.





Calorie Light, Nutrient Dense Foods



PROTEIN CEREALS

Some consumers find that protein-rich foods keep them feeling full longer, and they're interested in low-fat protein options. In 2014, we introduced *Nature Valley* Protein granola and it was a big hit; we're adding two new varieties in 2015. And we recently launched *Cheerios* Protein with 11 grams of protein per serving with milk — it's a great-tasting way to fill up.

PROGRESSO SOUP

Progresso ready-to-serve soup is a convenient meal, perfect for smaller households. Our market share of the nearly \$2 billion U.S. ready-to-serve soup category grew to 39 percent in 2014, led in part by new varieties of our Light and Rich & Hearty lines. In 2015, we are introducing *Progresso* Chili in chicken and beef varieties.

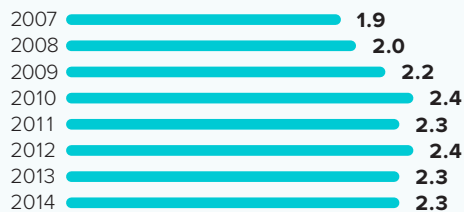


YOPLAIT CALIN

Our yogurt businesses in France and the UK posted sales and market share growth in 2014, driven in part by *Yoplait Calin*. This calcium-rich yogurt helps promote bone strength. We've added even more calcium with *Yoplait Calin +*, available in select European markets.

Big G Cereal Net Sales

Dollars in billions



U.S. Cereal Consumption per Capita by Age

Index: Overall U.S. population eatings per capita = 100



Source: National Panel Diary, National Eating Trends, three years ended February 2014



Simple Ingredients, Bold Flavors

OLD EL PASO

In the U.S. Mexican aisle, retail sales for *Old El Paso* products grew 4 percent in fiscal 2014 as we emphasized the fresh aspect of our easy-to-prepare meal kits. This summer, we introduced a zesty Nacho Cheese taco shell, perfect for Millennial families looking for a quick meal with bold flavor.



GREEK YOGURT

In the U.S., we're growing our share of the Greek yogurt segment behind some great-tasting products. And *Liberté* is a leading Greek yogurt in Canada. *Yoplait* also launched a Greek yogurt variety in France and the UK, as consumers there are starting to show an appetite for these thicker and tasty yogurts.

SNACKS PURE AND SIMPLE

Lärabar snacks are made with simple, non-GMO ingredients. Retail sales for these bars have been growing at a double-digit pace in traditional grocery stores and natural and organic outlets combined. And this brand is paving the way in new retail channels, as 7 percent of *Lärabar* sales are generated through online grocery sites.



SNACKS ON THE GO

Net sales for our snacks in convenience stores have grown at a 9 percent compound rate over the past five years. In 2014, we launched *Chex* chips in zesty flavors like Wasabi and Jalapeño Cheddar. In 2015, we'll introduce *Totino's* pizza chips, another great-tasting snack choice for grab-and-go convenience store customers.

60

MARKETS

Old El Paso dinner kits are a family dinner favorite around the world. Their fresh appeal and ethnic flavor have generated solid sales growth over the past five years.

Old El Paso Global Net Sales Growth*

Constant currency, dollars in millions, percent growth



*Estimated net sales converting local currency data at a fixed exchange rate.





Appealing to the Tastes of Millennials

At nearly 80 million strong, consumers ages 20 to 37 represent a quarter of the U.S. population. This generation is now forming households and starting families. By 2020, two out of every three U.S. moms of kids under age 14 will be a Millennial.

Millennials like to cook, experiment with unique flavors and enjoy a variety of ethnic tastes. They use social media to discover new foods and share ideas, whether it's a new cuisine or a favorite recipe. And they value convenient preparation to complement their busy lifestyles.

Lucky Charms cereal turned 50 this year, and it's still going strong. Retail sales for this whole grain oats cereal, sprinkled with marshmallows, grew 3 percent in fiscal 2014, with adults accounting for nearly half of consumption.



Growing with U.S. Multicultural Consumers

Today, multicultural consumers represent one-third of the U.S. population — and by 2060, it's projected that more than half the U.S. population will be non-Caucasian, with Hispanics leading that growth.

Nearly 15 percent of U.S. family households currently are Hispanic. Like many busy families, they're looking for foods that offer good nutrition, quality, convenience and great taste. We have a broad array of products to meet their needs. And we're promoting our brands in outlets where Hispanic consumers shop, with advertising messages that connect with this growing consumer demographic.



More than half of *Yoplait* Original yogurt is consumed in households with young kids. Our advertising reminds families that *Yoplait* yogurt makes a great, fun-time snack, a key message that drove renewed growth for *Yoplait* Original yogurt in 2014.





Reaching Multicultural Families

CINNAMON TOAST CRUNCH

Retail sales for *Cinnamon Toast Crunch* increased 5 percent in fiscal 2014, with multicultural consumers leading that growth. We'll build on this good momentum by promoting the brand through social media, on Spanish-language TV, and on TV shows popular with multicultural audiences.



YOPLAIT GO-GURT

Yoplait is “para todos los gustos” — to everyone’s liking — especially to Hispanic kids, who eat more *Yoplait* yogurt per capita than the general population. *Yoplait* is the leading brand in the kid yogurt segment.

In 2015, *Go-GURT* low-fat strawberry yogurt, made exclusively for McDonald’s®, will be an option with each Happy Meal® in more than 14,000 McDonald’s® restaurants across the U.S.

NATURE VALLEY SNACKS

Nature Valley grain snacks are available in 80 markets around the world. Retail sales for this brand grew at a double-digit pace in 2014 in the U.S. alone. We continue to offer new varieties, including new *Frutería* fruit and grain bars, designed to appeal to the tastes of Hispanic consumers.



TOTINO'S PIZZA ROLLS

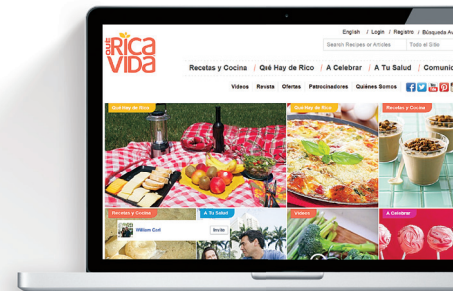
In fiscal 2014, we brought spicy flavors like Jalapeño Popper and Buffalo Chicken to our *Totino's* rolls, contributing to 4 percent retail sales growth for our hot snacks business. We expect the momentum to continue into 2015 as we promote the *Totino's* brand on Hispanic TV, radio and through digital marketing outlets.

Qué Rica Vida

“*Qué Rica Vida*” — What a Rich Life — is our Hispanic marketing platform. We’re reaching more consumers by leveraging digital media. Through our website and Facebook® page, we provide recipes, meal suggestions and nutritional information for Hispanic moms across the U.S.

5 MILLION

Visitors per year to
QueRicaVida.com



Putting the Consumer First with Holistic Margin Management

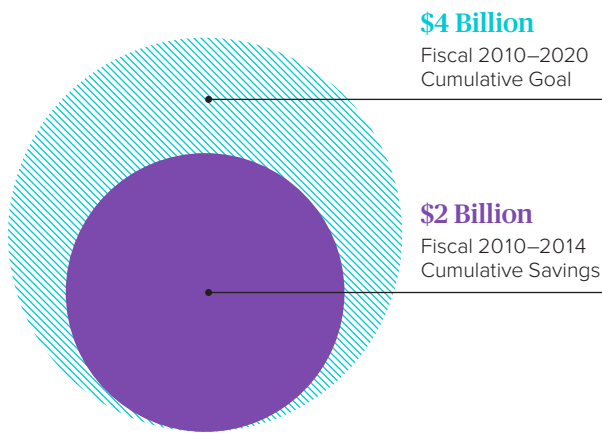
If our consumers don't value a product feature or a packaging component, we are finding a way to reduce or eliminate that expense, and redeploy the savings. This is a core principle of Holistic Margin Management (HMM), our company-wide initiative to use productivity savings, mix management and price realization to offset input cost inflation, protect margins, and generate funds to reinvest in sales-generating activities. Increased sales allow us to further invest in our business, fueling a virtuous cycle of growth.

Protecting Margins

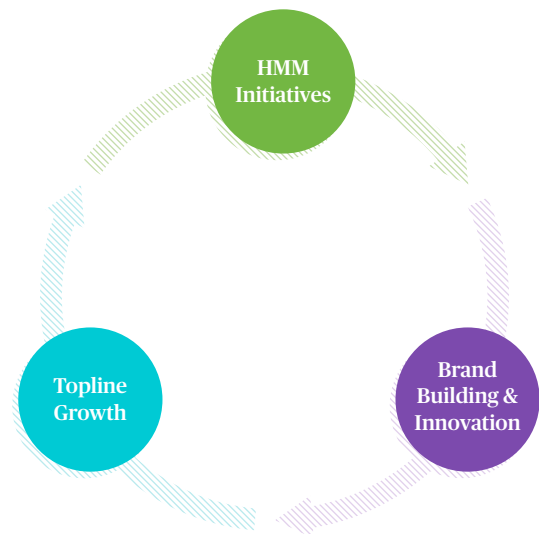
Our HMM efforts apply across all parts of our company. What started as an initiative in the U.S. is now fully embraced throughout General Mills, including our International business and our joint ventures. We've found ways to reduce the amount of packaging used for many of our products. This lowers raw material costs and transportation costs, as less packaging means less weight to ship. We've reduced energy costs as we've determined the optimal manufacturing run cycles for various cereal products. And at one of our mills, we burn the oat hulls that are a byproduct of the milling process as an alternative source of energy for that facility. Internationally, we've found cost synergies as we combine dairy purchasing for our international *Yoplait* yogurt and *Häagen-Dazs* ice cream. And we're bringing HMM to our

HMM COST SAVINGS

Supply Chain

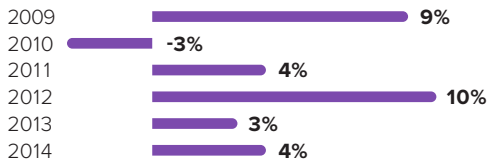


THE VIRTUOUS CYCLE OF HMM



INPUT COST INFLATION

Percent change



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

GROSS MARGIN

Percent of net sales



Net sales less cost of sales.

Yoki business, re-engineering production, packaging and scheduling to develop a more cost-efficient, high-performing manufacturing facility, while maintaining high-quality, affordable products to meet consumer demand. We also partner with suppliers and customers to find ways to reduce inventories and associated costs. Through efforts like these, we've achieved \$2 billion in cumulative savings from supply chain HMM in the past five fiscal years, and we remain on track to reach our goal of a cumulative \$4 billion in supply chain HMM savings for the decade ending in fiscal 2020.

With our HMM initiatives, we have been able to offset input cost inflation that has been averaging 4 to 5 percent per year. This has helped us hold our gross margin relatively steady over the past several years, a challenging time for many food manufacturers given the volatility of input costs from year to year. Our HMM efforts also have generated environmental benefits and have advanced our sustainability initiatives. Since 2005, when we first implemented HMM, we have reduced our energy and water usage rates, and we also have improved the amount of recycled content and recyclability of our packaging.

Reinvesting to Fuel Growth

After offsetting input cost inflation, we reinvest funds generated by HMM into our businesses. Our advertising and media investment has grown by 19 percent from 2009 levels to \$870 million worldwide in fiscal 2014. Traditional media, such as TV, remains a key part of our advertising budget. But more and more consumers are going online to shop, share ideas and interact with each other. So we've been increasing our spending on digital outlets such as websites and social media. These vehicles allow us to customize our message to specific consumer groups and have one-on-one dialogues with individual consumers.

We've also been increasing our investment in research and development. Product news drives net sales growth, so in 2015 we're introducing a strong slate of new items in markets around the world. We're also improving the health profile of many of our existing products by adding ingredients like protein, fiber and whole grains, and reducing ingredients such as sodium and sugar, to meet the desires of our consumers.

HMM remains vital to how we operate every day. As our horizons grow, we see great opportunities ahead to continue to reap the benefits of HMM, which has become an integral part of our company's culture.

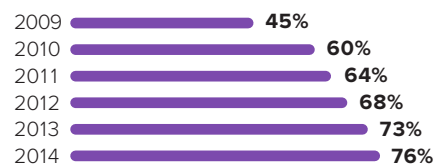
ADVERTISING AND MEDIA EXPENSE

Dollars in millions



CUMULATIVE HEALTH METRIC ACHIEVEMENT

Percent of U.S. retail volume improved



Products are counted only one time, even if improved more than once.

Board of Directors

As of August 1, 2014

Bradbury H. Anderson^{2,5}

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

R. Kerry Clark^{3,4*}

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

Paul Danos^{3,5}

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

William T. Esrey^{1,3,*}

Chairman Emeritus, Sprint Nextel Corporation (telecommunications services)

Henrietta H. Fore

Chairman of the Board and Chief Executive Officer, Holsman International (manufacturing, consulting and investment services)

Raymond V. Gilmartin^{1,2}

Retired Chairman, President and Chief Executive Officer, Merck & Company, Inc. (pharmaceuticals)

Judith Richards Hope^{2,4}

Retired Professor of Law, Georgetown University Law Center

Heidi G. Miller^{1*,3}

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

Hilda Ochoa-Brillembourg^{1,5}

Founder, Chief Executive Officer and Chairman of the Board, Strategic Investment Group (investment management)

Steve Odland^{2,4}

President and Chief Executive Officer, Committee for Economic Development (public policy) 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.

Michael D. Rose^{2*,4}

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

Robert L. Ryan^{1,3*}

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

Dorothy A. Terrell^{4,5*}

Managing Partner, FirstCap Advisors (venture capital)

Board Committees

¹ Audit

² Compensation

³ Finance

⁴ Corporate Governance

⁵ Public Responsibility

* Denotes Committee Chair

† Retiring from the board September 2014

Senior Management

As of August 1, 2014

Mark W. Addicks

Senior Vice President; Chief Marketing Officer

Richard C. Allendorf

Senior Vice President; Deputy General Counsel

Y. Marc Belton⁺⁺⁺

Executive Vice President, Global Strategy, Growth and Marketing Innovation

Gary Chu

Senior Vice President; President, Greater China

Juliana L. Chugg

Senior Vice President; President, Frozen Foods

John R. Church

Executive Vice President, Supply Chain

David V. Clark

Vice President; President, Yoplait USA

Michael L. Davis[†]

Executive Vice President, Global Human Resources

David E. Dudick Sr.

Senior Vice President; President, General Mills Canada

Peter C. Erickson

Executive Vice President, Innovation, Technology and Quality

Olivier Faujour

Vice President; President, Yoplait International

Jeffrey L. Harmening

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

David P. Homer

Senior Vice President; Chief Executive Officer, Cereal Partners Worldwide

Christina Law

Vice President; President, Asia, Middle East and Africa

Luis Gabriel Merizalde[†]

Senior Vice President; President, Europe, Australia and New Zealand

Michele S. Meyer

Senior Vice President; President, Meals

Donal L. Mulligan

Executive Vice President; Chief Financial Officer

James H. Murphy

Senior Vice President; President, Big G Cereals

Kimberly A. Nelson

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

Elizabeth M. Nordlie

Vice President; President, Small Planet Foods

Jonathon J. Nudi

Senior Vice President; President, Europe, Australia and New Zealand

Rebecca L. O'Grady

Vice President; President, Häagen-Dazs Strategic Business Unit

Shawn P. O'Grady

Senior Vice President; President, Sales and Channel Development

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

Marie C. Pillai

Vice President; Treasurer and Chief Investment Officer

Kendall J. Powell

Chairman of the Board and Chief Executive Officer

Bethany C. Quam

Vice President; President, Convenience Stores and Foodservice

Ann W. H. Simonds

Senior Vice President; President, Baking

Anton V. Vincent

Vice President; President, Snacks

Sean N. Walker

Senior Vice President; President, Latin America

Kristen S. Wenker

Senior Vice President, Investor Relations

Jacqueline R. Williams-Roll

Senior Vice President, Human Resources Operations

Keith A. Woodward

Senior Vice President, Financial Operations

Jerald A. Young

Vice President, Controller

[†]Retiring September 2014

⁺⁺Retiring February 2015

⁺⁺⁺Retiring March 2015

Financial Review

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Financial Condition and Uses of Cash

General Mills financial condition today is strong. Our key financial ratios are the best they've been since we completed the transformative Pillsbury acquisition in November 2001. Our operating cash flow to debt and fixed charge coverage ratios are both roughly 3 times stronger in 2014 than they were in 2002. Debt to EBITDA is now 2.5 times, well below the level of 6.8 times reached the year of the Pillsbury transaction. Our improving financial condition has been well-chronicled by the debt rating agencies. For example, Moody's rates our debt at A3 today, two levels above the Baa2 rating they assigned to our debt back in 2002.

Our businesses have a long history of strong cash generation. Over the past five years ending in fiscal 2014, net cash from operations has grown at a 7 percent compound rate, and we generated a cumulative \$11.6 billion of operating cash flow during that time.

Our first priority for this cash is investment in the growth opportunities and cost-savings projects we've identified across our businesses. On average, our annual fixed asset investment represents just under 4 percent of net sales. Our plans call for roughly \$700 million in capital expenditures in fiscal 2015. Key growth projects include increased snack bar capacity in the U.S., our new yogurt plant in China, and new manufacturing systems to support high-potential 2016 product innovation.

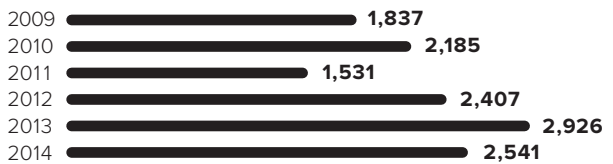
BALANCE SHEET STRENGTH

	2002	2014
Operating Cash Flow to Debt	10%	29%
Fixed Charge Coverage	2.5x	8.0x
Debt/EBITDA*	6.8x	2.5x

* See page 87 for discussion of non-GAAP measures.
2002 data not restated for current classification.

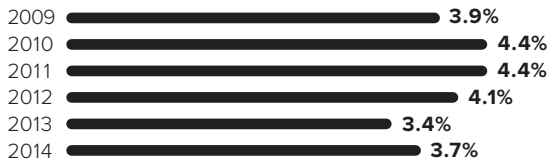
CASH FLOW FROM OPERATIONS

Dollars in millions



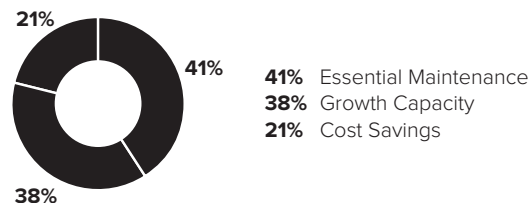
FIXED ASSET INVESTMENT

Percent of net sales



FISCAL 2015 FIXED ASSET PLAN

Percent of \$700 million estimated investment



General Mills has a strong tradition of returning cash to shareholders through dividends and share repurchases. Cash dividends to shareholders totaled nearly \$1 billion in 2014, almost 70 percent more than the level of dividends paid five years ago. In March 2014, our board of directors approved an 8 percent increase in the quarterly dividend rate effective with the May 2014 payment. The current annualized dividend rate of \$1.64 represents a yield of 3 percent at recent market prices for General Mills stock. General Mills and its predecessor firm have paid regular dividends without interruption or reduction for 115 years, and our goal is to continue increasing dividends over time in line with our earnings growth.

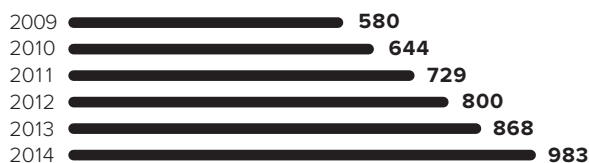
For consistent growth businesses like ours, where annual earnings increases typically translate into stock price appreciation, share buybacks create value. Since 2010, our share repurchase activity has lowered average diluted shares outstanding by roughly 1 percent a year. That's despite pauses in our buyback program to fund the strategic acquisitions of Yoplait International and Yoki.

Fiscal 2014 was a year of strong repurchase activity – we reduced our average diluted share count by 20 million. In 2015, we expect a further 3 to 4 percent reduction in the average share count. Some of that reduction is already in-hand, due to the timing of our repurchases in 2014.

Net income growth and disciplined use of cash are the drivers of increasing returns on average total capital (ROC). General Mills ROC has declined in recent years, due primarily to the acquisitions of Yoplait and Yoki. Our plans for 2015 call for improved ROC, powered by earnings growth and continued prudent capital management.

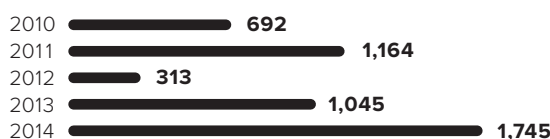
DIVIDENDS PAID

Dollars in millions



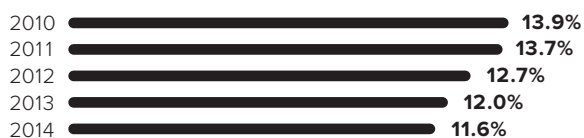
GROSS SHARE REPURCHASES

Dollars in millions



RETURN ON AVERAGE TOTAL CAPITAL*

Percent



* See page 87 for discussion of non-GAAP measures.

Selected Financial Data

The following table sets forth selected financial data for each of the fiscal years in the five-year period ended May 25, 2014:

In Millions, Except Per Share Data, Percentages and Ratios	Fiscal Year				
	2014	2013	2012	2011	2010
Operating data:					
Net sales	\$ 17,909.6	\$ 17,774.1	\$ 16,657.9	\$ 14,880.2	\$ 14,635.6
Gross margin ^(a)	6,369.8	6,423.9	6,044.7	5,953.5	5,800.2
Selling, general, and administrative expenses	3,474.3	3,552.3	3,380.7	3,192.0	3,162.7
Total segment operating profit					
excluding Venezuela currency devaluation ^(b)	3,153.9	3,222.9	3,011.6	2,945.6	2,854.5
Divestiture (gain)	(65.5)	—	—	(17.4)	—
Net earnings attributable to General Mills	1,824.4	1,855.2	1,567.3	1,798.3	1,530.5
Advertising and media expense	869.5	895.0	913.7	843.7	908.5
Research and development expense	243.6	237.9	245.4	235.0	218.3
Average shares outstanding:					
Diluted	645.7	665.6	666.7	664.8	683.3
Earnings per share:					
Diluted	\$ 2.83	\$ 2.79	\$ 2.35	\$ 2.70	\$ 2.24
Diluted, excluding certain items affecting comparability ^(b)	\$ 2.82	\$ 2.72	\$ 2.56	\$ 2.48	\$ 2.31
Operating ratios:					
Gross margin as a percentage of net sales	35.6%	36.1%	36.3%	40.0%	39.6%
Selling, general, and administrative expenses as a percentage of net sales	19.4%	20.0%	20.3%	21.5%	21.6%
Total segment operating profit excluding Venezuela currency devaluation as a percentage of net sales ^(b)	17.6%	18.1%	18.1%	19.8%	19.5%
Effective income tax rate	33.3%	29.2%	32.1%	29.7%	35.0%
Return on average total capital ^{(a) (b)}	11.6%	12.0%	12.7%	13.7%	13.9%
Balance sheet data:					
Land, buildings, and equipment	\$ 3,941.9	\$ 3,878.1	\$ 3,652.7	\$ 3,345.9	\$ 3,127.7
Total assets	23,145.7	22,658.0	21,096.8	18,674.5	17,678.9
Long-term debt, excluding current portion	6,423.5	5,926.1	6,161.9	5,542.5	5,268.5
Total debt ^(a)	8,785.8	7,969.1	7,429.6	6,885.1	6,425.9
Cash flow data:					
Net cash provided by operating activities	\$ 2,541.0	\$ 2,926.0	\$ 2,407.2	\$ 1,531.1	\$ 2,185.1
Capital expenditures	663.5	613.9	675.9	648.8	649.9
Fixed charge coverage ratio ^(a)	8.04	7.62	6.26	7.03	6.42
Operating cash flow to debt ratio ^(a)	28.9%	36.7%	32.4%	22.2%	34.0%
Share data:					
Low stock price	\$ 46.86	\$ 37.55	\$ 34.95	\$ 33.57	\$ 25.59
High stock price	54.40	50.93	41.05	39.95	36.96
Closing stock price	53.81	48.98	39.08	39.29	35.62
Cash dividends per common share	1.55	1.32	1.22	1.12	0.96
Number of full- and part-time employees	43,000	41,000	34,500	35,000	33,000

(a) See Glossary on page 85 of this report for definition.

(b) See Non-GAAP Measures on page 87 of this report for our discussion of this measure not defined by generally accepted accounting principles.

Management's Discussion and Analysis of Financial Condition 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, innovative new products, and effective merchandising. We believe our brand-building strategy is the key to winning and sustaining leading share positions in markets around the globe.

Our fundamental financial 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 drivers of financial performance for our business.

Our specific growth objectives are to consistently deliver:

- low single-digit annual growth in net sales;
- mid single-digit annual growth in total segment operating profit excluding Venezuela currency devaluation;
- high single-digit annual growth in diluted EPS excluding certain items affecting comparability; and
- improvement 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 return a substantial amount of cash to stockholders through share repurchases and dividends.

Fiscal 2014 was a challenging year, as developed markets continued to experience weak consumer trends and quite low category growth. The cereal category in developed markets was soft and the global yogurt category was impacted by significant dairy inflation. For the fiscal year ended May 25, 2014, our net sales grew 1 percent and total segment operating profit excluding Venezuela currency devaluation of \$3,154 million declined 2 percent from \$3,223 million last year. Our return on average total capital declined by 40 basis points, as fiscal 2014 earnings did not grow in line with our capital base. Diluted EPS grew 1 percent and diluted EPS excluding certain items affecting comparability increased 4 percent (See the "Non-GAAP Measures" section on page 87

for discussion of total segment operating profit excluding Venezuela currency devaluation, diluted EPS excluding certain items affecting comparability and return on average total capital, which are not defined by generally accepted accounting principles (GAAP)). Net cash provided by operations totaled \$2.5 billion in fiscal 2014, enabling us to increase our annual dividend payments per share by 17 percent from fiscal 2013. We also made significant capital investments totaling \$664 million in fiscal 2014 and repurchased \$1.7 billion of shares of common stock.

We achieved the following related to our key operating objectives for fiscal 2014:

- We delivered a strong line-up of consumer marketing, merchandising, and innovation to support our leading brands and continued to build our global platforms in markets around the world.
- We returned \$2.7 billion to stockholders in fiscal 2014, including a 17 percent dividend increase and 47 percent more shares of common stock repurchased that resulted in a 3 percent net reduction in average shares outstanding.
- While we exercised good administrative cost control, executed strong holistic margin management (HMM) efforts, increased share repurchases and had favorable interest expense, net sales and segment operating profit excluding Venezuela currency devaluation performance were below our targets. We achieved 1 percent growth in net sales, primarily contributions from new businesses added in fiscal 2013. Total segment operating profit excluding Venezuela currency devaluation declined 2 percent and diluted EPS excluding certain items affecting comparability increased 4 percent.

Details of our financial results are provided in the "Fiscal 2014 Consolidated Results of Operations" section below.

In fiscal 2015, we expect to generate constant currency growth consistent with our long-term model, including the effects of a 53 week year:

- We are targeting mid single-digit growth in constant currency net sales, primarily driven by volume growth and a 53rd week, with double-digit growth in emerging markets and low single-digit growth in developed markets.

- We expect to grow share in the U.S. cereal category through significant product innovation, build on our improving performance in the U.S. yogurt category, and continue our strong growth in the snack category around the world.
 - We are targeting mid single-digit growth in total constant currency segment operating profit in fiscal 2015. We continue to view our HMM discipline of cost savings and mix management as a competitive advantage. Cost of sales HMM is expected to offset anticipated input cost inflation of 3 percent.
 - We are targeting high single-digit growth in constant currency diluted EPS excluding certain items affecting comparability.
 - We expect to deliver strong cash returns to stockholders in fiscal 2015, including annualized dividends per share of \$1.64 and share repurchases that are expected to result in a net reduction in shares outstanding of at least 3 percent.
 - Our businesses generate strong levels of cash flows, and we will use some of this cash to reinvest in our business. Our fiscal 2015 plans call for approximately \$730 million of expenditures for capital projects.
- Certain terms used throughout this report are defined in a glossary on page 85 and 86 of this report.

FISCAL 2014 CONSOLIDATED RESULTS OF OPERATIONS

Our consolidated results for fiscal 2014 include one additional quarter of operating activity from the acquisition of Yoki Alimentos S.A. (Yoki) in Brazil, one additional quarter of operating activity from the assumption of the Canadian Yoplait franchise license, and three additional quarters of operating activity from the acquisition of Immaculate Baking Company in the United States. Collectively, these items are referred to as “new businesses” in comparing our fiscal 2014 results to fiscal 2013.

Fiscal 2014 net sales grew 1 percent to \$17,910 million including 1 percentage point of growth contributed by new businesses. Excluding new businesses, net sales grew 1 percent, offset by 1 percentage point of unfavorable foreign currency exchange. In fiscal 2014, **net earnings attributable to General Mills** were \$1,824 million, down 2 percent from \$1,855 million in fiscal 2013, and we reported **diluted EPS** of \$2.83 in fiscal 2014, up 1 percent from \$2.79 in fiscal 2013. Fiscal 2014 results include a gain on the divestiture of certain grain elevators, the impact of Venezuela currency devaluation, gains

from the mark-to-market valuation of certain commodity positions and grain inventories, and restructuring charges related to our fiscal 2012 productivity and cost savings plan. Fiscal 2013 results include the effects from various discrete tax items, the impact of Venezuela currency devaluation, restructuring charges related to our fiscal 2012 productivity and cost savings plan, integration costs resulting from the acquisition of Yoki, and gains from the mark-to-market valuation of certain commodity positions and grain inventories. Diluted EPS excluding these items affecting comparability totaled \$2.82 in fiscal 2014, up 4 percent from \$2.72 in fiscal 2013 (see the “Non-GAAP Measures” section on page 87 for a description of 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 2014 vs. 2013
Contributions from volume growth ^(a)	1 pt
Net price realization and mix	1 pt
Foreign currency exchange	(1) pt
Net sales growth	1 pt

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

Net sales grew 1 percent in fiscal 2014 driven by an 1 percentage point increase in contributions from volume growth, including 2 percentage points of contribution from volume growth due to new businesses. Favorable net price realization and mix contributed 1 percentage point of growth, and unfavorable foreign currency exchange decreased net sales growth by 1 percentage point.

Cost of sales increased \$190 million in fiscal 2014 to \$11,540 million. Higher volume drove an \$115 million increase in cost of sales. Product mix also drove an \$130 million increase in cost of sales. In fiscal 2014, we recorded a \$49 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 55 of this report, compared to a net decrease of \$4 million in fiscal 2013. We also recorded a \$23 million foreign exchange loss in fiscal 2014 related to the Venezuela currency devaluation compared to a \$16 million loss in fiscal 2013. In fiscal 2013, we also recorded a \$17 million non-recurring expense related to the assumption of the Canadian Yoplait franchise license.

Gross margin declined 1 percent in fiscal 2014 versus fiscal 2013. Gross margin as a percent of net sales of 36 percent was relatively flat compared to fiscal 2013.

Selling, general and administrative (SG&A) expenses decreased \$78 million in fiscal 2014 versus fiscal 2013. The decrease in SG&A expenses was primarily driven by a 3 percent decrease in advertising and media expense, a smaller contribution to the General Mills Foundation, a decrease in incentive compensation expense and lower pension expense compared to fiscal 2013. In fiscal 2014, we recorded a \$39 million charge related to Venezuela currency devaluation compared to a \$9 million charge in fiscal 2013. In addition, we recorded \$12 million of integration costs in fiscal 2013 related to our acquisition of Yoki. SG&A expenses as a percent of net sales decreased 1 percent compared to fiscal 2013.

Restructuring, impairment, and other exit costs totaled \$4 million in fiscal 2014. The restructuring charge related to a productivity and cost savings plan approved in the fourth quarter of fiscal 2012. These restructuring actions were completed in fiscal 2014. In fiscal 2014, we paid \$22 million in cash related to restructuring actions.

During fiscal 2014, we recorded a **divestiture gain** of \$66 million related to the sale of certain grain elevators in our U.S. Retail segment. There were no divestitures in fiscal 2013.

Interest, net for fiscal 2014 totaled \$302 million, \$15 million lower than fiscal 2013. The average interest rate decreased 41 basis points, including the effect of the mix of debt, generating a \$31 million decrease in net interest. Average interest bearing instruments increased \$367 million, generating a \$16 million increase in net interest.

Our consolidated **effective tax rate** for fiscal 2014 was 33.3 percent compared to 29.2 percent in fiscal 2013. The 4.1 percentage point increase was primarily related to the restructuring of our General Mills Cereals, LLC (GMC) subsidiary during the first quarter of 2013 which resulted in a \$63 million decrease to deferred income tax liabilities related to the tax basis of the investment in GMC and certain distributed assets, with a corresponding non-cash reduction to income taxes. During fiscal 2013, we also recorded a \$34 million discrete decrease in income tax expense and an increase in our deferred tax assets related to certain actions taken to restore part of the tax benefits associated with Medicare Part D subsidies which had previously been reduced in fiscal 2010 with the enactment of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010. Our fiscal 2013 tax

expense also includes a \$12 million charge associated with the liquidation of a corporate investment.

After-tax earnings from joint ventures for fiscal 2014 decreased to \$90 million compared to \$99 million in fiscal 2013 primarily driven by increased consumer spending at Cereal Partners Worldwide (CPW) and unfavorable foreign currency exchange from Häagen-Dazs Japan, Inc. (HDJ).

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

Joint Venture Change in Net Sales		
	As Reported Fiscal 2014 vs. 2013	Constant Currency Basis Fiscal 2014 vs. 2013
CPW	(1)%	Flat
HDJ	(8)	9%
Joint Ventures	(2)%	2%

In fiscal 2014, CPW net sales declined by 1 percentage point due to unfavorable foreign currency exchange. Contribution from volume growth was flat compared to fiscal 2013. In fiscal 2014, net sales for HDJ decreased 8 percentage points from fiscal 2013 as 11 percentage points of contributions from volume growth was offset by 17 percentage points of net sales decline from unfavorable foreign currency exchange and 2 percentage points of net sales decline attributable to unfavorable net price realization and mix.

Average diluted shares outstanding decreased by 20 million in fiscal 2014 from fiscal 2013 due primarily to the repurchase of 36 million shares, partially offset by the issuance of 7 million shares related to stock compensation plans.

FISCAL 2014 CONSOLIDATED BALANCE SHEET ANALYSIS

Cash and cash equivalents increased \$126 million from fiscal 2013.

Receivables increased \$37 million from fiscal 2013 primarily driven by timing of sales.

Inventories increased \$14 million from fiscal 2013.

Prepaid expenses and other current assets decreased \$29 million from fiscal 2013, mainly due to a decrease in other receivables related to the liquidation of a corporate investment.

Land, buildings, and equipment increased \$64 million from fiscal 2013, as \$664 million of capital expenditures

were partially offset by depreciation expense of \$585 million.

Goodwill and other intangible assets increased \$27 million from fiscal 2013, primarily due to foreign exchange.

Other assets increased \$302 million from fiscal 2013, primarily related to favorable investment returns on pension plan assets.

Accounts payable increased \$188 million from fiscal 2013, primarily due to the extension of payment terms.

Notes payable and long-term debt, including **current portion**, increased \$817 million from fiscal 2013 primarily due to \$228 million of net long-term debt issuances and \$573 million of net commercial paper issuances.

The current and noncurrent portions of net **deferred income taxes liability** increased \$331 million from fiscal 2013 primarily as a result of changes in the funded status of our defined benefit postretirement plans which were recognized through accumulated other comprehensive income (AOCI).

Other current liabilities decreased \$378 million from fiscal 2013, primarily driven by dividends declared in the fourth quarter of fiscal 2013 that were paid in the first quarter of fiscal 2014.

Other liabilities decreased \$310 million from fiscal 2013, primarily driven by a decrease in pension, postemployment, and postretirement liabilities.

Redeemable interest increased \$17 million from fiscal 2013.

Retained earnings increased \$1,085 million from fiscal 2013, reflecting fiscal 2014 net earnings of \$1,824 million less dividends declared of \$740 million. **Treasury stock** increased \$1,532 million from fiscal 2013, due to \$1,775 million of share repurchases, partially offset by \$243 million related to stock-based compensation plans. **Additional paid in capital** increased \$65 million from fiscal 2013, including \$30 million related to the settlement of an accelerated share repurchase agreement.

AOCI decreased by \$245 million from fiscal 2013.

Noncontrolling interests increased \$14 million in fiscal 2014.

FISCAL 2013 CONSOLIDATED RESULTS OF OPERATIONS

Our consolidated results for fiscal 2013 include three quarters of operating activity from the acquisitions of Yoki in Brazil and Food Should Taste Good in the United States, and the assumption of the Canadian

Yoplait franchise license (Yoplait Canada), four quarters of results for Yoplait Ireland and Parampara Foods in India, and two quarters of results for Immaculate Baking Company in the United States. Also included in the first quarter of fiscal 2013 are two additional months of results from the acquisition of Yoplait S.A.S. Collectively, these items are referred to as “new businesses” in comparing our fiscal 2013 results to fiscal 2012.

Fiscal 2013 net sales grew 7 percent to \$17,774 million. In fiscal 2013, **net earnings attributable to General Mills** were \$1,855 million, up 18 percent from \$1,567 million in fiscal 2012, and we reported **diluted EPS** of \$2.79 in fiscal 2013, up 19 percent from \$2.35 in fiscal 2012. Fiscal 2013 results include the effects from various discrete tax items, the impact of Venezuela currency devaluation, restructuring charges related to our fiscal 2012 productivity and cost savings plan, integration costs resulting from the acquisition of Yoki, and gains from the mark-to-market valuation of certain commodity positions and grain inventories. Fiscal 2012 results include losses from the mark-to-market valuation of certain commodity positions and grain inventories, restructuring charges related to our 2012 productivity and cost savings plan, and integration costs resulting from the acquisitions of Yoplait S.A.S. and Yoplait Marques S.A.S. Diluted EPS excluding these items affecting comparability totaled \$2.72 in fiscal 2013, up 6 percent from \$2.56 in fiscal 2012 (see the “Non-GAAP Measures” section on page 87 for a description of 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 2013 vs. 2012
Contributions from volume growth ^(a)	9 pts
Net price realization and mix	(1) pt
Foreign currency exchange	(1) pt
Net sales growth	7 pts

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

Net sales grew 7 percent in fiscal 2013, including 6 percentage points of growth contributed by new businesses, primarily Yoki, Yoplait S.A.S., and Yoplait Canada. Excluding the impact of new businesses, net sales grew 2 percent, partially offset by 1 percentage point of unfavorable foreign currency exchange. Contributions from volume growth increased net sales by 9 percentage points, including 8 percentage points of contribution from volume

growth due to new businesses. Unfavorable net price realization and mix decreased net sales growth by 1 percentage point and unfavorable foreign currency exchange decreased net sales growth by 1 percentage point.

Cost of sales increased \$737 million in fiscal 2013 to \$11,350 million. Higher volume drove a \$982 million increase in cost of sales. We also recorded a \$17 million non-recurring expense related to the assumption of the Canadian Yoplait franchise license and a \$16 million charge related to Venezuela currency devaluation in fiscal 2013. These increases were partially offset by a \$170 million decrease in cost of sales attributable to product mix. In fiscal 2013, we recorded a \$4 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 55 of this report, compared to a net increase of \$104 million in fiscal 2012.

Gross margin grew 6 percent in fiscal 2013 versus fiscal 2012. Gross margin as a percent of net sales of 36 percent was relatively flat compared to fiscal 2012.

SG&A expenses were up \$172 million in fiscal 2013 versus fiscal 2012. The increase in SG&A expenses was primarily driven by the addition of new businesses and an increase in pension expense. In addition, we recorded a \$9 million foreign exchange loss resulting from the remeasurement of assets and liabilities of our Venezuelan subsidiary following the devaluation of the bolivar in fiscal 2013. Excluding these items, SG&A expenses decreased compared to fiscal 2012, including a 2 percent decrease in advertising and media expense. SG&A expenses as a percent of net sales were flat compared to fiscal 2012.

Restructuring, impairment, and other exit costs totaled \$20 million in fiscal 2013. In fiscal 2013, we recorded a \$19 million restructuring charge related to a productivity and cost savings plan approved in the fourth quarter of fiscal 2012, consisting of \$11 million of employee severance expense and other exit costs of \$8 million. All of our operating segments were affected by these actions including \$16 million related to our International segment, \$2 million related to our U.S. Retail segment, and \$1 million related to our Convenience Stores and Foodservice segment. In addition, we recorded \$1 million of charges associated with other previously announced restructuring actions. In fiscal 2013, we paid \$80 million in cash related to restructuring actions. In fiscal 2012, we recorded a \$102 million restructuring

charge related to the productivity and cost savings plan approved in the fourth quarter of fiscal 2012.

Interest, net for fiscal 2013 totaled \$317 million, \$35 million lower than fiscal 2012. The average interest rate decreased 60 basis points, including the effect of the mix of debt, generating a \$43 million decrease in net interest. Average interest bearing instruments increased \$167 million, primarily from an increase in incremental borrowing to fund the acquisition of Yoki, generating an \$8 million increase in net interest.

Our consolidated **effective tax rate** for fiscal 2013 was 29.2 percent compared to 32.1 percent in fiscal 2012. The 2.9 percentage point decrease was primarily related to the restructuring of our GMC subsidiary during the first quarter of fiscal 2013 which resulted in a \$63 million decrease to deferred income tax liabilities related to the tax basis of the investment in GMC and certain distributed assets, with a corresponding discrete non-cash reduction to income taxes. During fiscal 2013, we also recorded a \$34 million discrete decrease in income tax expense and an increase in our deferred tax assets related to certain actions taken to restore part of the tax benefits associated with Medicare Part D subsidies which had previously been reduced in fiscal 2010 with the enactment of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010. Our fiscal 2013 tax expense also includes a \$12 million charge associated with the liquidation of a corporate investment.

After-tax earnings from joint ventures for fiscal 2013 increased to \$99 million compared to \$88 million in fiscal 2012 primarily due to higher tax rates in fiscal 2012 as a result of discrete tax items and higher operating profit offset by unfavorable foreign currency exchange in fiscal 2013.

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

Joint Venture Change in Net Sales

	As Reported Fiscal 2013 vs. 2012	Constant Currency Basis Fiscal 2013 vs. 2012
CPW	(1)%	2%
HDJ	(2)	5
Joint Ventures	(1)%	3%

In fiscal 2013, CPW net sales declined by 1 percentage point as 2 percentage points of net sales growth from favorable net price realization and mix were offset by 3

percentage points of net sales decline from unfavorable foreign currency exchange. Contribution from volume growth was flat compared to fiscal 2012. In fiscal 2013, net sales for HDJ decreased 2 percentage points from fiscal 2012 as 6 percentage points of net sales growth from volume contribution was offset by 7 percentage points of net sales decline from unfavorable foreign currency exchange and 1 percentage point of net sales decline attributable to unfavorable net price realization and mix.

Average diluted shares outstanding decreased by 1 million in fiscal 2013 from fiscal 2012, due primarily to the repurchase of 24 million shares.

RESULTS OF SEGMENT OPERATIONS

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

The following tables provide the dollar amount and percentage of net sales and operating profit from each segment for fiscal years 2014, 2013, and 2012:

Net Sales

In Millions	Fiscal Year					
	2014		2013		2012	
	Dollars	Percent of Total	Dollars	Percent of Total	Dollars	Percent of Total
U.S. Retail	\$10,604.9	59%	\$10,614.9	60%	\$10,480.2	63%
International	5,385.9	30	5,200.2	29	4,194.3	25
Convenience Stores and Foodservice	1,918.8	11	1,959.0	11	1,983.4	12
Total	\$17,909.6	100%	\$17,774.1	100%	\$16,657.9	100%

Segment Operating Profit

U.S. Retail	\$2,311.5	75%	\$2,392.9	75%	\$2,295.3	76%
International	472.9	15	490.2	15	429.6	14
Convenience Stores and Foodservice	307.3	10	314.6	10	286.7	10
Total	\$3,091.7	100%	\$3,197.7	100%	\$3,011.6	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.

from volume growth and net price realization and mix were flat compared to fiscal 2013.

In fiscal 2013, net sales for this segment totaled \$10.6 billion, up 1 percent from fiscal 2012 due to contributions from volume growth. Net price realization and mix was flat compared to fiscal 2012.

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 product categories in this business segment include ready-to-eat cereals, refrigerated yogurt, soup, meal kits, 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 granola bars, cereal, and soup.

Components of U.S. Retail Net Sales Growth

	Fiscal 2014 vs. 2013	Fiscal 2013 vs. 2012
Contributions from volume growth ^(a)	Flat	1pt
Net price realization and mix	Flat	Flat
Net sales growth	Flat	1pt

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

In fiscal 2014, net sales for our U.S. Retail segment were \$10.6 billion, flat compared to fiscal 2013. Contributions

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		
	2014	2013	2012
Big G	\$ 2,345.4	\$ 2,340.8	\$ 2,387.9
Baking Products	1,831.7	1,845.7	1,792.8
Snacks	1,823.8	1,717.2	1,578.6
Frozen Foods	1,525.5	1,549.6	1,601.0
Meals	1,418.8	1,481.0	1,452.8
Yoplait	1,311.9	1,352.6	1,418.5
Small Planet Foods and other	347.8	328.0	248.6
Total	\$10,604.9	\$10,614.9	\$10,480.2

U.S. Retail Net Sales Percentage Change by Division

	Fiscal 2014 vs. 2013	Fiscal 2013 vs. 2012
Big G	Flat	(2)%
Baking Products	(1)%	3
Snacks	6	9
Frozen Foods	(2)	(3)
Meals	(4)	2
Yoplait	(3)	(5)
Small Planet Foods	6	35
Total	Flat	1%

Fiscal 2014 U.S. Retail segment net sales were flat compared to fiscal 2013 as net sales growth in Snacks and Small Planet Foods was offset by declines in Meals, Yoplait, Frozen Foods, and Baking Products divisions. Big G division net sales growth was flat compared to fiscal 2013.

The 1 percentage point increase in the fiscal 2013 U.S. Retail segment net sales was driven by the Snacks, Small Planet Foods, Baking Products, and Meals divisions, partially offset by declines in the Yoplait, Frozen Foods, and Big G divisions.

Segment operating profit of \$2.3 billion in fiscal 2014 declined \$81 million, or 3 percent, from fiscal 2013. The decrease reflects higher trade spending, partially offset by a 1 percent reduction in advertising and media expense.

Segment operating profit of \$2.4 billion in fiscal 2013 improved \$98 million, or 4 percent, from fiscal 2012. The increase was primarily driven by a 5 percent reduction in advertising and media expense, favorable net price realization and mix, and higher volume, partially offset by an increase in input costs.

International Segment Our International segment consists of retail and foodservice businesses outside of the United States. Our product categories include ready-to-eat cereals, shelf stable and frozen vegetables, meal kits, refrigerated and frozen dough products, dessert and baking mixes, frozen pizza snacks, refrigerated yogurt, grain and fruit snacks, and super-premium ice cream and frozen desserts. We also sell super-premium ice cream and frozen desserts directly to consumers through owned retail shops. 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 and franchise fees are reported in the region or country where the end customer is located.

As part of a long-term plan to conform the fiscal year ends of all our operations, we have changed the reporting period of certain countries within our International segment from an April fiscal year end to a May fiscal year end to match our fiscal calendar. Accordingly, in the year of change, our results include 13 months of results from the affected operations compared to 12 months in previous and future fiscal years. In fiscal 2013, we changed the reporting period for our operations in Europe and Australia. In fiscal 2012, we changed the reporting period for our operations in China. The impact of these changes was not material to the fiscal 2013 or fiscal 2012 International segment results of operations.

Net sales for our International segment were up 4 percent in fiscal 2014 compared to fiscal 2013, to \$5,386 million, including 5 percentage points of growth from new businesses, primarily Yoki and Yoplait Canada. The growth in fiscal 2014 included 5 percentage points of contributions from volume growth, including 7 percentage points resulting from new businesses, and 3 percentage points of favorable net price realization and mix, partially offset by 4 percentage points of unfavorable foreign currency exchange.

Net sales totaled \$5,200 million in fiscal 2013, up 24 percent from \$4,194 million in fiscal 2012. The growth in fiscal 2013 was driven by 21 percentage points from new businesses, primarily Yoki, Yoplait S.A.S., and Yoplait Canada. Excluding the impact of new businesses, net sales growth was up 3 percent. Volume contributed 34 percentage points of net sales growth, including 32 percentage points resulting from new businesses, partially offset by 6 percentage points of unfavorable net price realization and mix and 4 percentage points of unfavorable foreign currency exchange.

Components of International Net Sales Growth

	Fiscal 2014 vs. 2013	Fiscal 2013 vs. 2012
Contributions from volume growth ^(a)	5 pts	34 pts
Net price realization and mix	3 pts	(6) pts
Foreign currency exchange	(4) pts	(4) pt
Net sales growth	4 pts	24 pts

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

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		
	2014	2013	2012
Europe ^(a)	\$2,188.8	\$2,214.6	\$1,988.5
Canada	1,195.3	1,210.5	990.9
Asia/Pacific ^(b)	981.8	899.1	810.1
Latin America	1,020.0	876.0	404.8
Total	\$5,385.9	\$5,200.2	\$4,194.3

(a) Fiscal 2013 net sales for the Europe region include an additional month of results.

(b) Fiscal 2012 net sales for the Asia/Pacific region include an additional month of results.

International Change in Net Sales by Geographic Region

	Percentage Change in Net Sales as Reported		Percentage Change in Net Sales on Constant Currency Basis ^(a)	
	Fiscal 2014 vs. 2013	Fiscal 2013 vs. 2012	Fiscal 2014 vs. 2013	Fiscal 2013 vs. 2012
Europe ^(b)	(1)%	11%	(4)%	15%
Canada	(1)	22	5	22
Asia/Pacific	9	11	9	11
Latin America	16	116	38	139
Total ^(b)	4%	24%	8%	28%

(a) See the "Non-GAAP Measures" section on page 87 for our use of this measure.

(b) Fiscal 2013 percentage change in net sales as reported for the Europe region includes 4 percentage points of growth due to an additional month of results. The impact to fiscal 2013 net sales growth for the International segment was not material.

The 4 percentage point increase in the International segment fiscal 2014 net sales was driven by growth in the Latin America and Asia/Pacific regions, partially offset by declines in the Europe and Canada regions. On a constant currency basis, International segment net sales grew 8 percent, with 38 percent growth in the Latin America region, 9 percent growth in the Asia/Pacific

region, and 5 percent growth in the Canada region, partially offset by 4 percent decline in the Europe region.

The 24 percentage point increase in the International segment fiscal 2013 net sales was driven by growth across all regions. On a constant currency basis, International segment net sales grew 28 percent, with 139 percent growth in the Latin America region, 15 percent growth in the Europe region, 22 percent growth in the Canada region, and 11 percent growth in the Asia/Pacific region.

Segment operating profit for fiscal 2014 declined 4 percent to \$473 million from \$490 million in fiscal 2013, primarily driven by unfavorable foreign currency exchange including a \$62 million charge related to Venezuela currency devaluation in fiscal 2014 and higher input costs, partially offset by volume growth, favorable net price realization and mix, and an additional quarter of results from the Yoki acquisition. In addition we recorded a \$17 million non-recurring expense related to the assumption of the Canadian Yoplait franchise license and a \$25 million charge related to Venezuela currency devaluation in fiscal 2013. International segment operating profit excluding the impact of Venezuela currency devaluation was \$535 million in fiscal 2014, an increase of 4 percent compared to \$515 million in fiscal 2013 (see the "Non-GAAP Measure" section on page 87 for our use of this measure).

Segment operating profit for fiscal 2013 grew 14 percent to \$490 million from \$430 million in fiscal 2012, primarily driven by volume growth, the Yoki acquisition, and a full year of activity from Yoplait S.A.S., partially offset by unfavorable foreign currency exchange, including a \$25 million charge related to Venezuela currency devaluation. International segment operating profit excluding the impact of Venezuela currency devaluation was \$515 million in fiscal 2013, a 20 percent increase compared to \$430 million in fiscal 2012 (see the "Non-GAAP Measure" section on page 87 for our use of this measure).

Venezuela is a highly inflationary economy and as such, we remeasure the value of the assets and liabilities of our Venezuelan subsidiary based on the exchange rate at which we expect to remit dividends in U.S. dollars. In February 2013, the Venezuelan government devalued the bolivar by resetting the official exchange rate. The effect of the devaluation in fiscal 2013 was a \$25 million foreign exchange loss in segment operating profit resulting from the remeasurement of assets and liabilities of our Venezuelan subsidiary. On February 19, 2014,

the Venezuelan government established a new foreign exchange market mechanism ("SICAD 2") and has indicated that this will be the market through which U.S. dollars will be obtained for the remittance of dividends. This market has significantly higher foreign exchange rates than those available through the other foreign exchange mechanisms. In the fourth quarter of fiscal 2014, we recorded a \$62 million foreign exchange loss in the International segment operating profit resulting from the remeasurement of assets and liabilities of our Venezuelan subsidiary at the SICAD 2 rate of 50.0 bolivars per U.S. dollar. We have been able to access U.S. dollars through the SICAD 2 market. Our Venezuela operations represent less than 1 percent of our consolidated assets, liabilities, net sales, and segment operating profit. As of May 25, 2014, we had \$3 million of non-U.S. dollar cash balances in Venezuela.

Convenience Stores and Foodservice Segment In the first quarter of fiscal 2014, we changed the name of our Bakeries and Foodservice operating segment to Convenience Stores and Foodservice. The businesses in this segment were unchanged. Our major product categories are ready-to-eat cereals, snacks, refrigerated 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.

For fiscal 2014, net sales for our Convenience Stores and Foodservice segment decreased 2 percent to \$1,919 million primarily driven by an 1 percentage point decrease in contributions from volume growth and 1 percentage point of unfavorable net price realization and mix. Volume declines were driven by the loss of business with a major customer as well as the impact of inclement weather, as fiscal 2014 had a sharp increase in weather-related events such as school and business closings. Unfavorable net price realization and mix were driven by commodity index priced items.

For fiscal 2013, net sales for our Convenience Stores and Foodservice segment decreased 1 percent to \$1,959 million due to a 1 percentage point decrease in contributions from volume growth. Net price realization and mix was flat compared to fiscal 2012 as gains from favorable

product mix were offset by declines in commodity index priced items.

Components of Convenience Stores and Foodservice Net Sales Growth

	Fiscal 2014 vs. 2013	Fiscal 2013 vs. 2012
Contributions from volume growth ^(a)	(1) pt	(1) pt
Net price realization and mix	(1) pt	Flat
Foreign currency exchange	NM	NM
Net sales growth	(2) pts	(1) pt

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

Net sales for our Convenience Stores and Foodservice segment are shown in the following table:

Convenience Stores and Foodservice Net Sales

In Millions	Fiscal Year		
	2014	2013	2012
Total	\$ 1,918.8	\$ 1,959.0	\$ 1,983.4

In fiscal 2014, segment operating profit was \$307 million, down 2 percent from \$315 million in fiscal 2013. The decrease was primarily driven by volume declines, unfavorable net price realization, and investments to protect and grow the business.

In fiscal 2013, segment operating profit was \$315 million, up 10 percent from \$287 million in fiscal 2012. The increase was primarily driven by favorable product mix, lower manufacturing and input costs, and reduced administrative costs.

Unallocated Corporate Items Unallocated corporate items include corporate overhead expenses, variances to planned domestic employee benefits and incentives, 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 48 of this report.

For fiscal 2014, unallocated corporate expense totaled \$196 million compared to \$326 million last year. In fiscal 2014 we recorded a \$49 million net decrease in expense related to mark-to-market valuation of certain commodity positions and grain inventories, compared to a \$4 million net decrease in expense last year. Compensation

and benefit expenses decreased \$59 million and the contribution to the General Mills Foundation decreased in fiscal 2014 compared to fiscal 2013. In fiscal 2013, we also recorded \$12 million of integration costs related to the acquisition of Yoki.

Unallocated corporate expense totaled \$326 million in fiscal 2013 compared to \$348 million in fiscal 2012. In fiscal 2013, we recorded a \$4 million net decrease in expense related to mark-to-market valuation of certain commodity positions and grain inventories, compared to a \$104 million net increase in expense in fiscal 2012. Pension expense increased \$40 million in fiscal 2013 compared to fiscal 2012. In fiscal 2013, we also recorded \$12 million of integration costs related to the acquisition of Yoki.

IMPACT OF INFLATION

We have experienced significant input cost volatility for several years. Our gross margin performance in fiscal 2014 reflects the impact of 4 percent input cost inflation, primarily on commodities inputs. We expect input cost inflation of 3 percent in fiscal 2015. We attempt to minimize the effects of inflation through HMM, planning, and operating practices. Our risk management practices are discussed on page 40 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 2014, 2013, or 2012 results of operations. Estimates of the future impacts of several of the Act's provisions are incorporated into our postretirement benefit liability. The Act may also impact our future health care benefit related expenses. 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 \$7.9 billion in cash. A substantial portion of this operating cash flow has been returned to stockholders through share repurchases and dividends. We also use cash from operations to fund our capital expenditures and acquisitions. We typically use a combination of cash, notes payable, and long-term debt to finance significant acquisitions and major capital expansions.

As of May 25, 2014, we had \$840 million of cash and cash equivalents held in foreign jurisdictions which will be used to fund foreign operations and acquisitions. There is currently no need to repatriate these funds in order to meet domestic funding obligations or scheduled cash distributions. If we choose to repatriate cash held in foreign jurisdictions, we intend to do so only in a tax-neutral manner.

Cash Flows from Operations

In Millions	Fiscal Year		
	2014	2013	2012
Net earnings, including earnings attributable to redeemable and noncontrolling interests	\$ 1,861.3	\$ 1,892.5	\$ 1,589.1
Depreciation and amortization	585.4	588.0	541.5
After-tax earnings from joint ventures	(89.6)	(98.8)	(88.2)
Distributions of earnings from joint ventures	90.5	115.7	68.0
Stock-based compensation	108.5	100.4	108.3
Deferred income taxes	172.5	81.8	149.4
Tax benefit on exercised options	(69.3)	(103.0)	(63.1)
Pension and other postretirement benefit plan contributions	(49.7)	(223.2)	(222.2)
Pension and other postretirement benefit plan costs	124.1	131.2	77.8
Divestiture (gain)	(65.5)	—	—
Restructuring, impairment, and other exit costs	(18.8)	(60.2)	97.8
Changes in current assets and liabilities, excluding the effects of acquisitions	(32.2)	471.1	243.8
Other, net	(76.2)	30.5	(95.0)
Net cash provided by operating activities	\$ 2,541.0	\$ 2,926.0	\$ 2,407.2

In fiscal 2014, our operations generated \$2.5 billion of cash compared to \$2.9 billion in fiscal 2013. The \$385 million decrease is primarily due a \$503 million change in current assets and liabilities. The change in current assets and liabilities is primarily driven by a \$403 million change in other current liabilities largely due to changes in trade promotion and income tax accruals, and a \$107 million change in inventory. In addition, in fiscal 2013 we made a \$200 million voluntary contribution to our principal domestic pension plans.

We strive to grow core working capital at or below the rate of growth in our net sales. For fiscal 2014, core working capital decreased 9 percent, compared to net sales growth of 1 percent, primarily due to an increase in accounts payable. In fiscal 2013, core working capital decreased 5 percent, compared to net sales growth of 7 percent, and in fiscal 2012, core working capital decreased 7 percent, compared to net sales growth of 12 percent.

In fiscal 2013, our operations generated \$2.9 billion of cash compared to \$2.4 billion in fiscal 2012. The \$519 million increase is primarily due to a \$303 million increase in net earnings and \$227 million from changes in current assets and liabilities. Other current liabilities accounted for \$336 million of the increase in current assets and liabilities due to trade and tax accruals, and accounts payable accounted for \$252 million of the increase partly as the result of the extension of payment terms. These were partially offset by a \$214 million change in prepaid expenses and other current assets primarily due to changes in derivative receivables and changes in other receivables related to the liquidation of a corporate investment, and a \$126 million change in inventory largely driven by a lower level of inventory reduction activity compared to fiscal 2012. In both fiscal 2013 and fiscal 2012, we made a \$200 million voluntary contribution to our principal domestic pension plans. In addition, we paid \$80 million in cash related to restructuring actions in fiscal 2013.

Cash Flows from Investing Activities

In Millions	Fiscal Year		
	2014	2013	2012
Purchases of land, buildings, and equipment	\$ (663.5)	\$ (613.9)	\$ (675.9)
Acquisitions, net of cash acquired	—	(898.0)	(1,050.1)
Investments in affiliates, net	(54.9)	(40.4)	(22.2)
Proceeds from disposal of land, buildings, and equipment	6.6	24.2	2.2
Proceeds from divestiture	121.6	—	—
Exchangeable note	29.3	16.2	(131.6)
Other, net	(0.9)	(3.5)	6.8
Net cash used by investing activities	\$ (561.8)	\$ (1,515.4)	\$ (1,870.8)

In fiscal 2014, cash used by investing activities decreased by \$954 million from fiscal 2013. We invested \$664 million in land, buildings, and equipment in fiscal 2014, \$50 million more than the same period last year. We made \$55 million of investments in affiliates, primarily CPW, in fiscal 2014. In the fourth quarter of fiscal 2014 we sold certain grain elevators for approximately \$122 million in cash, subject to a working capital adjustment. In addition we received \$29 million in payments from Sodiaal International (Sodiaal) in fiscal 2014 against the \$132 million exchangeable note we purchased in 2012.

In fiscal 2013, cash used by investing activities decreased by \$355 million from fiscal 2012. In fiscal 2013, we acquired Yoki, a privately held food company headquartered in Sao Bernardo do Campo, Brazil, for an aggregate purchase price of \$940 million, comprised of \$820 million of cash, net of \$31 million of cash acquired, and \$120 million of non-cash consideration for debt assumed. We invested \$614 million in land, buildings, and equipment in fiscal 2013, \$62 million less than the same period in fiscal 2012. In addition, we received \$16 million in payments from Sodiaal in fiscal 2013 against the \$132 million exchangeable note.

We expect capital expenditures to be approximately \$730 million in fiscal 2015. These expenditures will support initiatives that are expected to fuel International growth, increase manufacturing capacity for Snacks, and continue HMM initiatives throughout the supply chain.

Cash Flows from Financing Activities

In Millions	Fiscal Year		
	2014	2013	2012
Change in notes payable	\$ 572.9	\$ (44.5)	\$ 227.9
Issuance of long-term debt	1,673.0	1,001.1	1,390.5
Payment of long-term debt	(1,444.8)	(542.3)	(1,450.1)
Proceeds from common stock			
issued on exercised options	108.1	300.8	233.5
Tax benefit on exercised options	69.3	103.0	63.1
Purchases of common			
stock for treasury	(1,745.3)	(1,044.9)	(313.0)
Dividends paid	(983.3)	(867.6)	(800.1)
Addition of noncontrolling interest	17.6	—	—
Distributions to noncontrolling			
and redeemable interest holders	(77.4)	(39.2)	(5.2)
Other, net	(14.2)	(6.6)	(13.2)
Net cash used by			
financing activities	\$ (1,824.1)	\$ (1,140.2)	\$ (666.6)

Net cash used by financing activities increased by \$684 million in fiscal 2014. We had \$387 million more net debt issuances in fiscal 2014 than the same period a year ago. For more information on our debt issuances, please refer to Note 8 to the Consolidated Financial Statements on page 63 of this report.

During fiscal 2014, we received \$108 million in proceeds from common stock issued on exercised options compared to \$301 million in fiscal 2013, a decrease of \$193 million. During fiscal 2012, we received \$234 million in proceeds from common stock issued on exercised options.

In June 2010, our Board of Directors authorized the repurchase of up to 100 million shares of our common stock. The Board terminated this authorization in May 2014 and approved a new authorization for 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.

During fiscal 2014, we paid \$1,745 million to repurchase 36 million shares of our common stock. During fiscal 2013, we repurchased 24 million shares of our common stock for an aggregate purchase price of \$1,015 million, including 6 million shares with a fair value of \$270 million purchased as part of an accelerated share repurchase (ASR) agreement. Under the terms of this agreement, we also paid an additional \$30 million to the

unrelated financial institution for shares which were settled in the first quarter of fiscal 2014. During fiscal 2012, we repurchased 8 million shares of our common stock for an aggregate purchase price of \$313 million.

Dividends paid in fiscal 2014 totaled \$983 million, or \$1.55 per share, a 17 percent per share increase from fiscal 2013. Dividends paid in fiscal 2013 totaled \$868 million, or \$1.32 per share, an 8 percent per share increase from fiscal 2012 dividends of \$1.22 per share. On March 11, 2014, our Board of Directors approved a dividend increase, effective with the May 1, 2014 payment, to an annual rate of \$1.64 per share, a 6 percent increase from the rate paid in fiscal 2014.

Selected Cash Flows from Joint Ventures

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

Inflow (Outflow), in Millions	Fiscal Year		
	2014	2013	2012
Advances to joint ventures, net	\$ (54.9)	\$ (36.7)	\$ (22.2)
Dividends received	90.5	115.7	68.0

CAPITAL RESOURCES

Total capital consisted of the following:

In Millions	May 25, 2014	May 26, 2013
Notes payable	\$ 1,111.7	\$ 599.7
Current portion of long-term debt	1,250.6	1,443.3
Long-term debt	6,423.5	5,926.1
Total debt	8,785.8	7,969.1
Redeemable interest	984.1	967.5
Noncontrolling interests	470.6	456.3
Stockholders' equity	6,534.8	6,672.2
Total capital	\$16,775.3	\$16,065.1

The following table details the fee-paid committed and uncommitted credit lines we had available as of May 25, 2014:

In Billions	Facility Amount	Borrowed Amount
Credit facility expiring:		
April 2017	\$1.7	\$ —
May 2019	1.0	—
Total committed credit facilities	2.7	—
Uncommitted credit facilities	0.4	0.1
Total committed and uncommitted credit facilities	\$3.1	\$0.1

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 have commercial paper programs available to us in the United States and Europe. We also have uncommitted and asset-backed credit lines that support our foreign operations. The credit facilities contain several covenants, including a requirement to maintain a fixed charge coverage ratio of at least 2.5 times.

Certain of our long-term debt agreements, our credit facilities, and our noncontrolling interests contain restrictive covenants. As of May 25, 2014, we were in compliance with all of these covenants.

We have \$1,251 million of long-term debt maturing in the next 12 months that is classified as current. 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 25, 2014, our total debt, including the impact of derivative instruments designated as hedges, was 71 percent in fixed-rate and 29 percent in floating-rate instruments, compared to 73 percent in fixed-rate and 27 percent in floating-rate instruments on May 26, 2013. The change in the fixed-rate and floating-rate percentages was driven by increased commercial paper issuances.

Growth in return on average total capital is one of our key performance measures (see the “Non-GAAP Measures” section on page 87 for our discussion of this measure, which is not defined by GAAP). Return on average total capital decreased from 12.0 percent in fiscal 2013 to 11.6 percent in fiscal 2014, as fiscal 2014 earnings did not grow in line with our capital base. We also

believe that our fixed charge coverage ratio and the ratio of operating cash flow to debt are important measures of our financial strength. Our fixed charge coverage ratio in fiscal 2014 was 8.04 compared to 7.62 in fiscal 2013. The measure increased from fiscal 2013 as earnings before income taxes and after-tax earnings from joint ventures increased by \$120 million and fixed charges decreased by \$10 million, driven primarily by lower interest. Our operating cash flow to debt ratio decreased 7.8 percentage points to 28.9 percent in fiscal 2014, driven by an increase in total debt.

We have a 51 percent controlling interest in Yoplait S.A.S. and a 50 percent interest in Yoplait Marques S.A.S. and Liberté Marques S.a.r.l. Sodiaal holds the remaining interests in each of these entities. We consolidate these entities into our consolidated financial statements. We record Sodiaal’s 50 percent interest in Yoplait Marques S.A.S. and Liberté Marques S.a.r.l. as noncontrolling interests, and their 49 percent interest in Yoplait S.A.S. as a redeemable interest on our Consolidated Balance Sheets. These euro- and Canadian dollar-denominated interests are reported in U.S. dollars on our Consolidated Balance Sheets. Sodiaal has the ability to put a limited portion of its redeemable interest to us at fair value once per year up to a maximum remaining term of 6 years. As of May 25, 2014, the redemption value of the redeemable interest was \$984 million which approximates its fair value.

During the first quarter of fiscal 2013, in conjunction with the consent of the Class A investor, we restructured General Mills Cereals, LLC (GMC) through the distribution of its manufacturing assets, stock, inventory, cash and certain intellectual property to a wholly owned subsidiary. GMC retained the remaining intellectual property. Immediately following the restructuring, the Class A Interests of GMC were sold by the then current holder to another unrelated third-party investor.

The third-party holder of the GMC 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 110 basis points, to the holder’s capital account balance established in the most recent market-to-market valuation (currently \$252 million). The preferred return rate is adjusted every three years through a negotiated agreement with the Class A Interest holder or through a remarketing auction.

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. In the event of a liquidation of GMC, each member of GMC will receive the amount of its then current capital account balance. We may avoid liquidation by exercising our 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 25, 2014, we have issued guarantees and comfort letters of \$341 million for the debt and other obligations of consolidated subsidiaries, and guarantees and comfort letters of \$284 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 \$388 million as of May 25, 2014.

As of May 25, 2014, we had invested in five variable interest entities (VIEs). None of our VIEs are material to our results of operations, financial condition, or liquidity as of and for the year ended May 25, 2014.

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. The PPA may ultimately require us to make additional contributions to our domestic plans. We do not expect to be required to make any contributions in fiscal 2015.

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	2015	2016 - 17	2018 - 19	2020 and Thereafter
Long-term debt ^(a)	\$ 7,681.0	\$1,249.5	\$2,000.0	\$1,250.0	\$3,181.5
Accrued interest	92.5	92.5	—	—	—
Operating leases ^(b)	388.5	93.9	130.2	76.1	88.3
Capital leases	2.5	1.5	1.0	—	—
Purchase obligations ^(c)	2,830.4	2,203.6	446.8	95.2	84.8
Total contractual obligations	10,994.9	3,641.0	2,578.0	1,421.3	3,354.6
Other long-term obligations ^(d)	1,520.9	—	—	—	—
Total long-term obligations	\$12,515.8	\$3,641.0	\$2,578.0	\$1,421.3	\$3,354.6

(a) Amounts represent the expected cash payments of our long-term debt and do not include \$2 million for capital leases or \$9 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 foreign exchange, equity, commodity, and grain derivative contracts with a payable position to the counterparty was \$28 million as of May 25, 2014, 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 benefit, and postemployment plans, and miscellaneous liabilities. We expect to pay \$21 million of benefits from our unfunded postemployment benefit plans and \$14 million of deferred compensation in fiscal 2015. We are unable to reliably estimate the amount of these payments beyond fiscal 2015. As of May 25, 2014, our total liability for uncertain tax positions and accrued interest and penalties was \$193 million.

SIGNIFICANT ACCOUNTING ESTIMATES

For a complete description of our significant accounting policies, see Note 2 to the Consolidated Financial Statements on page 48 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, redeemable interest, 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 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 recognized as a change in management estimate in a subsequent period. Our accrued trade, coupon, and consumer marketing liabilities were \$578 million as of May 25, 2014, and \$635 million as of May 26, 2013. 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 We estimate the useful lives of long-lived assets and make estimates concerning undiscounted cash flows to review for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (or asset group) may not be recoverable. Fair value is measured using discounted cash flows or independent appraisals, as appropriate.

Intangible Assets Goodwill and other indefinite lived intangible assets are not subject to amortization and are tested for impairment annually and whenever events or changes in circumstances indicate that impairment may have occurred. Our estimates of fair value for goodwill impairment testing are determined based on a discounted cash flow model. We use inputs from our long-range planning process to determine growth rates for sales and profits. We also make estimates of discount rates, perpetuity growth assumptions, market comparables, and other factors.

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. Intangible assets that are deemed to have definite lives are amortized on a straight-line basis, over their useful lives, generally ranging from 4 to 30 years. Our estimate of the fair value of our brand assets is based on a discounted cash flow model using inputs which include projected revenues from our long-range plan, assumed royalty rates that could be payable if we did not own the brands, and a discount rate.

As of May 25, 2014, we had \$13.1 billion of goodwill and indefinite-lived intangible assets. Our Europe and Yoplait U.S. reporting units and *Uncle Toby's* and *Mountain High* brands have experienced declining business performance and we will continue to monitor these businesses. 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. We performed our fiscal 2014 assessment of our intangible assets as of November 25, 2013. As of our annual assessment date, there was no impairment of any of our intangible assets as their related fair values were substantially in excess of the carrying values, except for the *Uncle Toby's* brand, which had a fair value 8 percent greater than its carrying value of \$63 million. In addition, our *Mountain High* brand had a fair value 23 percent greater than its carrying value of \$35 million.

Redeemable Interest During the third quarter of fiscal 2014, we adjusted the redemption value of Sodial's redeemable interest in Yoplait S.A.S. based on a discounted cash flow model. The significant assumptions used to estimate the redemption value include projected revenue growth and profitability from our long-range plan, capital spending, depreciation and taxes, foreign currency rates, and a discount rate. As of May 25, 2014, the redemption value of the redeemable interest was \$984 million.

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. For more information on these assumptions, please refer to Note 11 to the Consolidated Financial Statements on page 67 of this report.

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

	Fiscal Year		
	2014	2013	2012
Estimated fair values of stock options granted	\$ 6.03	\$ 3.65	\$ 5.88
Assumptions:			
Risk-free interest rate	2.6%	1.6%	2.9%
Expected term	9.0 years	9.0 years	8.5 years
Expected volatility	17.4%	17.3%	17.6%
Dividend yield	3.1%	3.5%	3.3%

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. An increase in the expected term by 1 year, leaving all other assumptions constant, would increase the grant date fair value by 2 percent. If all other assumptions are held constant, a one percentage point increase in our fiscal 2014 volatility assumption would increase the grant date fair value of our fiscal 2014 option awards by 7 percent.

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 flows 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 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. For more information on income taxes, please refer to Note 14 to the Consolidated Financial Statements on page 78 of this report.

Defined Benefit Pension, Other Postretirement Benefit, and Postemployment Benefit Plans We have defined benefit pension plans covering most employees in the United States, Canada, France, and the United Kingdom. We also sponsor plans that provide health care benefits to the majority of our retirees in the United States, Canada, and Brazil. 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. Please refer to Note 13 to the Consolidated Financial Statements on page 70 of this report for a description of our defined

benefit pension, other postretirement benefit, and postemployment benefit plans.

We recognize benefits provided during retirement or following employment over the plan participants' active working lives. 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.

Our historical investment returns (compound annual growth rates) for our United States defined benefit pension and other postretirement benefit plan assets were 15.3 percent, 13.9 percent, 9.2 percent, 8.4 percent, and 9.9 percent for the 1, 5, 10, 15, and 20 year periods ended May 25, 2014.

On a weighted-average basis, the expected rate of return for all defined benefit plans was 8.53 percent for fiscal 2014, 8.53 percent for fiscal 2013, and 9.52 percent for fiscal 2012.

Lowering the expected long-term rate of return on assets by 100 basis points would increase our net pension and postretirement expense by \$59 million for fiscal 2015. 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 benefit, and postemployment benefit plan obligations. We work with our outside actuaries to determine the timing and amount of expected future cash outflows to plan participants and, using the Aa Above Median corporate bond yield, 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:

	Defined Benefit Pension Plans	Other Postretirement Benefit Plans	Postemployment Benefit Plans
Obligations as of May 25, 2014, and fiscal 2015 expense	4.54%	4.51%	3.82%
Obligations as of May 26, 2013, and fiscal 2014 expense	4.54%	4.50%	3.70%
Fiscal 2013 expense	4.85%	4.70%	3.86%

Lowering the discount rates by 100 basis points would increase our net defined benefit pension, other postretirement benefit, and postemployment benefit plan expense for fiscal 2015 by approximately \$96 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 7.3 percent for retirees age 65 and over and 6.5 percent for retirees under age 65 at the end of fiscal 2014. Rates are graded down annually until the ultimate trend rate of 5.0 percent is reached in 2025 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 2015	\$ 4.7	\$ (3.9)
Effect on the other postretirement accumulated benefit obligation as of May 25, 2014	82.7	(73.2)

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 2014, we recorded net defined benefit pension, other postretirement benefit, and postemployment benefit plan expense of \$140 million compared to \$159 million of expense in fiscal 2013 and \$106 million of expense in fiscal 2012. As of May 25, 2014, we had cumulative unrecognized actuarial net losses of \$1.4 billion on our defined benefit pension plans and \$80 million on our postretirement and postemployment benefit plans, mainly as the result of liability increases from lower interest rates, partially offset by recent increases 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 2014 IRS Static Mortality Table projected forward to our plans' measurement dates to calculate the year-end defined benefit pension, other postretirement benefit, and postemployment benefit obligations and annual expense.

Actual future net defined benefit pension, other postretirement benefit, 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.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board issued new accounting requirements for the recognition of revenue from contracts with customers. The requirements of the new standard are effective for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods, which for us is the first quarter of fiscal 2018. We do not expect this guidance to have a material impact on 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 the legal and regulatory environment, including labeling and advertising regulations and litigation; 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 or breach 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 2014 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 61waps; ds;

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We are exposed to market risk stemming from changes in interest and foreign exchange rates and commodity 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. For information on interest rate, foreign exchange, commodity price, and equity instrument risk, please see Note 7 to the Consolidated Financial Statements on page 55 of this report.

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 and 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 or equity-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 25, 2014, and May 26, 2013, and the average fair value impact during the year ended May 25, 2014.

In Millions	Fair Value Impact		
	May 25, 2014	Average During Fiscal 2014	May 26, 2013
Interest rate instruments	\$32.7	\$29.5	\$21.5
Foreign currency instruments	7.2	7.1	3.5
Commodity instruments	3.0	3.2	5.4
Equity instruments	1.1	0.8	0.7

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 25, 2014 and May 26, 2013, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended May 25, 2014, 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 25, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

KPMG LLP

Minneapolis, Minnesota
July 3, 2014

Consolidated Statements of Earnings

GENERAL MILLS, INC. AND SUBSIDIARIES

In Millions, Except per Share Data	Fiscal Year		
	2014	2013	2012
Net sales	\$ 17,909.6	\$ 17,774.1	\$ 16,657.9
Cost of sales	11,539.8	11,350.2	10,613.2
Selling, general, and administrative expenses	3,474.3	3,552.3	3,380.7
Divestiture (gain)	(65.5)	—	—
Restructuring, impairment, and other exit costs	3.6	19.8	101.6
Operating profit	2,957.4	2,851.8	2,562.4
Interest, net	302.4	316.9	351.9
Earnings before income taxes and after-tax earnings from joint ventures	2,655.0	2,534.9	2,210.5
Income taxes	883.3	741.2	709.6
After-tax earnings from joint ventures	89.6	98.8	88.2
Net earnings, including earnings attributable to redeemable and noncontrolling interests	1,861.3	1,892.5	1,589.1
Net earnings attributable to redeemable and noncontrolling interests	36.9	37.3	21.8
Net earnings attributable to General Mills	\$ 1,824.4	\$ 1,855.2	\$ 1,567.3
Earnings per share - basic	\$ 2.90	\$ 2.86	\$ 2.42
Earnings per share - diluted	\$ 2.83	\$ 2.79	\$ 2.35
Dividends per share	\$ 1.55	\$ 1.32	\$ 1.22

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

GENERAL MILLS, INC. AND SUBSIDIARIES

In Millions	Fiscal Year		
	2014	2013	2012
Net earnings, including earnings attributable to redeemable and noncontrolling interests	\$ 1,861.3	\$ 1,892.5	\$ 1,589.1
Other comprehensive income (loss), net of tax:			
Foreign currency translation	(11.3)	0.8	(420.1)
Net actuarial gain (loss)	206.0	45.0	(504.6)
Other fair value changes:			
Securities	0.3	0.8	(0.2)
Hedge derivatives	5.0	24.6	(53.4)
Reclassification to earnings:			
Hedge derivatives	(4.6)	12.2	11.5
Amortization of losses and prior service costs	107.6	98.8	81.7
Other comprehensive income (loss), net of tax	303.0	182.2	(885.1)
Total comprehensive income	2,164.3	2,074.7	704.0
Comprehensive income (loss) attributable to redeemable and noncontrolling interests	94.9	61.1	(130.4)
Comprehensive income attributable to General Mills	\$ 2,069.4	\$ 2,013.6	\$ 834.4

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

GENERAL MILLS, INC. AND SUBSIDIARIES

In Millions, Except Par Value	May 25, 2014	May 26, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 867.3	\$ 741.4
Receivables	1,483.6	1,446.4
Inventories	1,559.4	1,545.5
Deferred income taxes	74.1	128.0
Prepaid expenses and other current assets	409.1	437.6
Total current assets	4,393.5	4,298.9
Land, buildings, and equipment	3,941.9	3,878.1
Goodwill	8,650.5	8,622.2
Other intangible assets	5,014.3	5,015.1
Other assets	1,145.5	843.7
Total assets	\$ 23,145.7	\$ 22,658.0
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 1,611.3	\$ 1,423.2
Current portion of long-term debt	1,250.6	1,443.3
Notes payable	1,111.7	599.7
Other current liabilities	1,449.9	1,827.7
Total current liabilities	5,423.5	5,293.9
Long-term debt	6,423.5	5,926.1
Deferred income taxes	1,666.0	1,389.1
Other liabilities	1,643.2	1,952.9
Total liabilities	15,156.2	14,562.0
Redeemable interest	984.1	967.5
Stockholders' equity:		
Common stock, 754.6 shares issued, \$0.10 par value	75.5	75.5
Additional paid-in capital	1,231.8	1,166.6
Retained earnings	11,787.2	10,702.6
Common stock in treasury, at cost, shares of 142.3 and 113.8	(5,219.4)	(3,687.2)
Accumulated other comprehensive loss	(1,340.3)	(1,585.3)
Total stockholders' equity	6,534.8	6,672.2
Noncontrolling interests	470.6	456.3
Total equity	7,005.4	7,128.5
Total liabilities and equity	\$ 23,145.7	\$ 22,658.0

See accompanying notes to consolidated financial statements.

Consolidated Statements of Total Equity and Redeemable Interest

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 Equity	Redeemable Interest
	Issued		Treasury							
	Shares	Par Amount	Additional Paid-In Capital	Shares	Amount					
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	
Total comprehensive income (loss)						1,567.3	(732.9)	(44.3)	790.1	\$ (86.1)
Cash dividends declared (\$1.22 per share)						(800.1)			(800.1)	
Shares purchased				(8.3)	(313.0)				(313.0)	
Stock compensation plans (includes income tax benefits of \$63.1)			3.2	12.0	346.3				349.5	
Unearned compensation related to restricted stock unit awards			(93.4)						(93.4)	
Stock-based compensation			108.3						108.3	
Addition of redeemable and noncontrolling interest from acquisitions								263.8	263.8	904.4
Increase in redemption value of redeemable interest			(29.5)						(29.5)	29.5
Distributions to noncontrolling interest holders								(5.2)	(5.2)	
Balance as of May 27, 2012	754.6	75.5	1,308.4	(106.1)	(3,177.0)	9,958.5	(1,743.7)	461.0	6,882.7	847.8
Total comprehensive income						1,855.2	158.4	18.3	2,031.9	42.8
Cash dividends declared (\$1.70 per share)						(1,111.1)			(1,111.1)	
Shares purchased			(30.0)	(24.2)	(1,014.9)				(1,044.9)	
Stock compensation plans (includes income tax benefits of \$103.0)			(38.6)	16.5	504.7				466.1	
Unearned compensation related to restricted stock unit awards			(80.5)						(80.5)	
Stock-based compensation			100.4						100.4	
Increase in redemption value of redeemable interest			(93.1)						(93.1)	93.1
Distributions to noncontrolling interest holders								(23.0)	(23.0)	(16.2)
Balance as of May 26, 2013	754.6	75.5	1,166.6	(113.8)	(3,687.2)	10,702.6	(1,585.3)	456.3	7,128.5	967.5
Total comprehensive income						1,824.4	245.0	24.9	2,094.3	70.0
Cash dividends declared (\$1.17 per share)						(739.8)			(739.8)	
Shares purchased			30.0	(35.6)	(1,775.3)				(1,745.3)	
Stock compensation plans (includes income tax benefits of \$69.3)			13.8	7.1	243.1				256.9	
Unearned compensation related to restricted stock unit awards			(91.3)						(91.3)	
Stock-based compensation			108.5						108.5	
Decrease in redemption value of redeemable interest			4.2						4.2	(4.2)
Addition of noncontrolling interest								17.6	17.6	
Distributions to redeemable and noncontrolling interest holders								(28.2)	(28.2)	(49.2)
Balance as of May 25, 2014	754.6	\$75.5	\$1,231.8	(142.3)	\$(5,219.4)	\$11,787.2	\$(1,340.3)	\$470.6	\$7,005.4	\$984.1

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

GENERAL MILLS, INC. AND SUBSIDIARIES

In Millions	Fiscal Year		
	2014	2013	2012
Cash Flows - Operating Activities			
Net earnings, including earnings attributable to redeemable and noncontrolling interests	\$ 1,861.3	\$ 1,892.5	\$ 1,589.1
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	585.4	588.0	541.5
After-tax earnings from joint ventures	(89.6)	(98.8)	(88.2)
Distributions of earnings from joint ventures	90.5	115.7	68.0
Stock-based compensation	108.5	100.4	108.3
Deferred income taxes	172.5	81.8	149.4
Tax benefit on exercised options	(69.3)	(103.0)	(63.1)
Pension and other postretirement benefit plan contributions	(49.7)	(223.2)	(222.2)
Pension and other postretirement benefit plan costs	124.1	131.2	77.8
Divestiture (gain)	(65.5)	—	—
Restructuring, impairment, and other exit costs	(18.8)	(60.2)	97.8
Changes in current assets and liabilities, excluding the effects of acquisitions	(32.2)	471.1	243.8
Other, net	(76.2)	30.5	(95.0)
Net cash provided by operating activities	2,541.0	2,926.0	2,407.2
Cash Flows - Investing Activities			
Purchases of land, buildings, and equipment	(663.5)	(613.9)	(675.9)
Acquisitions, net of cash acquired	—	(898.0)	(1,050.1)
Investments in affiliates, net	(54.9)	(40.4)	(22.2)
Proceeds from disposal of land, buildings, and equipment	6.6	24.2	2.2
Proceeds from divestiture	121.6	—	—
Exchangeable note	29.3	16.2	(131.6)
Other, net	(0.9)	(3.5)	6.8
Net cash used by investing activities	(561.8)	(1,515.4)	(1,870.8)
Cash Flows - Financing Activities			
Change in notes payable	572.9	(44.5)	227.9
Issuance of long-term debt	1,673.0	1,001.1	1,390.5
Payment of long-term debt	(1,444.8)	(542.3)	(1,450.1)
Proceeds from common stock issued on exercised options	108.1	300.8	233.5
Tax benefit on exercised options	69.3	103.0	63.1
Purchases of common stock for treasury	(1,745.3)	(1,044.9)	(313.0)
Dividends paid	(983.3)	(867.6)	(800.1)
Addition of noncontrolling interest	17.6	—	—
Distributions to noncontrolling and redeemable interest holders	(77.4)	(39.2)	(5.2)
Other, net	(14.2)	(6.6)	(13.2)
Net cash used by financing activities	(1,824.1)	(1,140.2)	(666.6)
Effect of exchange rate changes on cash and cash equivalents	(29.2)	(0.2)	(18.2)
Increase (decrease) in cash and cash equivalents	125.9	270.2	(148.4)
Cash and cash equivalents - beginning of year	741.4	471.2	619.6
Cash and cash equivalents - end of year	\$ 867.3	\$ 741.4	\$ 471.2
Cash Flow from Changes in Current Assets and Liabilities, excluding the effects of acquisitions:			
Receivables	\$ (41.0)	\$ (44.6)	\$ (24.2)
Inventories	(88.3)	18.7	144.5
Prepaid expenses and other current assets	10.5	(64.3)	149.4
Accounts payable	191.5	263.6	12.1
Other current liabilities	(104.9)	297.7	(38.0)
Changes in current assets and liabilities	\$ (32.2)	\$ 471.1	\$ 243.8

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

GENERAL MILLS, INC. AND SUBSIDIARIES

NOTE 1. BASIS OF PRESENTATION AND RECLASSIFICATIONS

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, including any noncontrolling and redeemable interests' share of those transactions, are eliminated in consolidation.

Our fiscal year ends on the last Sunday in May. Fiscal years 2014, 2013 and 2012 each consisted of 52 weeks.

Change in Reporting Period As part of a long-term plan to conform the fiscal year ends of all our operations, we have changed the reporting period of certain countries within our International segment from an April fiscal year end to a May fiscal year end to match our fiscal calendar. Accordingly, in the year of change, our results include 13 months of results from the affected operations compared to 12 months in previous fiscal years. We changed the reporting period for our operations in Europe and Australia in fiscal 2013, and we changed the reporting period for our operations in China in fiscal 2012. The impact of these changes was not material to our consolidated results of operations and, therefore, we did not restate prior period financial statements for comparability. Our Yoplait S.A.S., Yoplait Marques S.A.S., Yoki Alimentos S.A. (Yoki), and India businesses remain on an April fiscal year end.

Certain reclassifications to our previously reported financial information have been made to conform to the current period presentation.

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 generally 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 25, 2014, 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 long-range planning process. We also make estimates of discount rates, perpetuity growth assumptions, market comparables, and other factors.

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. Intangible assets that are deemed to have definite lives are amortized on a straight-line basis, over their useful lives, generally ranging from 4 to 30 years.

Our indefinite-lived intangible assets, mainly intangible assets primarily associated with the *Pillsbury*, *Totino's*, *Progreso*, *Green Giant*, *Yoplait*, *Old El Paso*, *Yoki*, 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. Our estimate of the fair value of the brands is based on a discounted cash flow model using inputs which included projected revenues from our long-range plan, assumed royalty rates that could be payable if we did not own the brands, and a discount rate.

Our finite-lived intangible assets, primarily acquired franchise agreements and customer relationships, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows from the operation and disposition of the asset are less than the carrying amount of the asset. Assets generally have identifiable cash flows and are largely independent of other assets. Measurement of an impairment loss would be based on the excess of the carrying

amount of the asset over its fair value. Fair value is measured using a discounted cash flow model or other similar valuation model, as appropriate.

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.

Redeemable Interest We have a 51 percent controlling interest in Yoplait S.A.S., a consolidated entity. Sodiaal International (Sodiaal) holds the remaining 49 percent interest in Yoplait S.A.S. Sodiaal has the ability to put a limited portion of its redeemable interest to us at fair value once per year up to a maximum remaining term of 6 years. This put option requires us to classify Sodiaal's interest as a redeemable interest outside of equity on our Consolidated Balance Sheets for as long as the put is exercisable by Sodiaal. When the put is no longer exercisable, the redeemable interest will be reclassified to noncontrolling interests on our Consolidated Balance Sheets. We adjust the value of the redeemable interest through additional paid-in capital on our Consolidated Balance Sheets quarterly to the redeemable interest's redemption value, which approximates its fair value.

During the third quarter of fiscal 2014, we adjusted the redeemable interest's redemption value based on a discounted cash flow model. The significant assumptions used to estimate the redemption value include projected revenue growth and profitability from our long-range plan, capital spending, depreciation, taxes, foreign currency rates, and a discount rate.

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 a Black-Scholes valuation model. Stock compensation is recognized straight line over the vesting period. Our stock compensation expense is recorded in selling, general and

administrative (SG&A) expenses 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, termination, 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 Benefit, 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 pension 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, redeemable interest,

stock-based compensation, income taxes, and defined benefit pension, postretirement and postemployment benefits. Actual results could differ from our estimates.

NOTE 3. ACQUISITIONS AND DIVESTITURES

During the fourth quarter of fiscal 2014, we sold certain grain elevators in our U.S. Retail segment for \$121.6 million in cash, subject to a working capital adjustment, and recorded a pre-tax gain of \$65.5 million.

On August 1, 2012, we acquired Yoki, a privately held food company headquartered in Sao Bernardo do Campo, Brazil, for an aggregate purchase price of \$939.8 million, including \$88.8 million of non-cash consideration for net debt assumed. Yoki operates in several food categories, including snacks, convenient meals, basic foods, and seasonings. We consolidated Yoki into our Consolidated Balance Sheets and recorded goodwill of \$363.0 million. Indefinite lived intangible assets acquired include brands of \$253.0 million. Finite lived intangible assets acquired primarily include customer relationships of \$17.5 million. The pro forma effects of this acquisition were not material.

NOTE 4. RESTRUCTURING, IMPAIRMENT, AND OTHER EXIT COSTS

We view our restructuring activities as actions that help us 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 2014, we recorded restructuring, impairment, and other exit costs pursuant to approved plans as follows:

Expense, in Millions	
Charges associated with restructuring actions	
previously announced	\$3.6
Total	\$3.6

In fiscal 2014, the restructuring charge related to a productivity and cost savings plan approved in the fourth quarter of fiscal 2012. These restructuring actions were completed in fiscal 2014. In fiscal 2014, we paid \$22.4 million in cash related to restructuring actions.

In fiscal 2013, we recorded restructuring, impairment, and other exit costs pursuant to approved plans as follows:

Expense, in Millions	
Charges associated with restructuring actions	
previously announced	\$19.8
Total	\$19.8

In fiscal 2013, the restructuring charge was primarily related to a productivity and cost savings plan approved in the fourth quarter of fiscal 2012, consisting of \$10.6 million of employee severance expense and other exit

costs of \$8.0 million. In fiscal 2013, we paid \$79.9 million in cash related to restructuring actions.

In fiscal 2012, we recorded restructuring, impairment, and other exit costs pursuant to approved plans as follows:

Expense, in Millions	
Productivity and cost savings plan	\$100.6
Charges associated with restructuring actions	
previously announced	1.0
Total	\$101.6

In fiscal 2012, we recorded a \$100.6 million restructuring charge related to a productivity and cost savings plan approved in the fourth quarter of fiscal 2012. The plan was designed to improve organizational effectiveness and focus on key growth strategies, and included organizational changes to strengthen business alignment and actions to accelerate administrative efficiencies across all of our operating segments and support functions. In connection with this initiative, we eliminated approximately 850 positions globally. The restructuring charge consisted of \$87.6 million of employee severance expense and a non-cash charge of \$13.0 million related to the write-off of certain long-lived assets in our U.S. Retail segment. All of our operating segments and support functions were affected by these actions including \$69.9 million related to our U.S. Retail segment, \$12.2 million related to our Convenience Stores and Foodservice segment, \$9.5 million related to our International segment, and \$9.0 million related to our administrative functions. In fiscal 2012, we paid \$3.8 million in cash related to restructuring actions taken in fiscal 2012 and previous years.

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 29, 2011	\$ 1.7	\$ 5.5	\$ —	\$ 7.2
2012 charges, including				
foreign currency translation	82.4	—	—	82.4
Utilized in 2012	(1.0)	(2.8)	0.1	(3.7)
Reserve balance as of				
May 27, 2012	83.1	2.7	0.1	85.9
2013 charges, including				
foreign currency translation	10.6	—	—	10.6
Utilized in 2013	(74.2)	(2.7)	(0.1)	(77.0)
Reserve balance as of				
May 26, 2013	19.5	—	—	19.5
2014 charges, including				
foreign currency translation	6.4	—	—	6.4
Utilized in 2014	(22.4)	—	—	(22.4)
Reserve balance as of				
May 25, 2014	\$ 3.5	\$ —	\$ —	\$ 3.5

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 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 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 related balance sheet activity follows:

In Millions	May 25, 2014	May 26, 2013
Cumulative investments	\$507.5	\$478.5
Goodwill and other intangibles	563.2	537.2
Aggregate advances	332.0	291.5

Joint venture earnings and cash flow activity follows:

In Millions	Fiscal Year		
	2014	2013	2012
Sales to joint ventures	\$12.1	\$ 12.3	\$10.4
Net advances	54.9	36.7	22.2
Dividends received	90.5	115.7	68.0

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

In Millions	Fiscal Year		
	2014	2013	2012
Net sales:			
CPW	\$2,107.9	\$2,132.2	\$2,152.6
HDJ	386.9	420.5	428.9
Total net sales	2,494.8	2,552.7	2,581.5
Gross margin	1,030.3	1,057.3	1,084.1
Earnings before income taxes	219.1	260.3	250.3
Earnings after income taxes	168.8	201.6	189.0

In Millions	May 25, 2014	May 26, 2013
Current assets	\$1,031.1	\$ 976.7
Noncurrent assets	1,129.8	1,088.2
Current liabilities	1,779.0	1,717.4
Noncurrent liabilities	110.3	115.1

NOTE 6. GOODWILL AND OTHER INTANGIBLE ASSETS

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

In Millions	May 25, 2014	May 26, 2013
Goodwill	\$ 8,650.5	\$ 8,622.2
Other intangible assets:		
Intangible assets not subject to amortization:		
Brands and other indefinite-lived intangibles	4,504.1	4,499.5
Intangible assets subject to amortization:		
Franchise agreements, customer relationships, and other finite-lived intangibles	630.7	602.6
Less accumulated amortization	(120.5)	(87.0)
Intangible assets subject to amortization	510.2	515.6
Other intangible assets	5,014.3	5,015.1
Total	\$13,664.8	\$13,637.3

Based on the carrying value of finite-lived intangible assets as of May 25, 2014, amortization expense for each of the next five fiscal years is estimated to be approximately \$30 million.

The changes in the carrying amount of goodwill for fiscal 2012, 2013, and 2014 are as follows:

In Millions	U.S. Retail	International	Convenience Stores and Foodservice	Joint Ventures	Total
Balance as of					
May 29, 2011	\$5,142.9	\$ 162.6	\$921.1	\$524.2	\$6,750.8
Acquisitions	670.3	946.4	—	—	1,616.7
Other activity,					
primarily foreign					
currency translation	—	(119.1)	—	(65.9)	(185.0)
Balance as of					
May 27, 2012	5,813.2	989.9	921.1	458.3	8,182.5
Acquisitions	28.2	378.8	—	—	407.0
Other activity,					
primarily foreign					
currency translation	—	18.3	—	14.4	32.7
Balance as of					
May 26, 2013	5,841.4	1,387.0	921.1	472.7	8,622.2
Divestiture	(12.2)	—	—	—	(12.2)
Other activity,					
primarily foreign					
currency translation	—	15.0	—	25.5	40.5
Balance as of					
May 25, 2014	\$5,829.2	\$1,402.0	\$921.1	\$498.2	\$8,650.5

We performed our fiscal 2014 impairment assessment as of November 25, 2013, 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. Our Europe and Yoplait U.S. reporting units have experienced declining business performance. While these reporting units had significant coverage as of the assessment date, we will continue to monitor these businesses.

The changes in the carrying amount of other intangible assets for fiscal 2012, 2013, and 2014 are as follows:

In Millions	U.S. Retail	International	Joint Ventures	Total
Balance as of				
May 29, 2011	\$3,242.5	\$ 497.9	\$72.9	\$3,813.3
Acquisitions	58.2	1,050.3	—	1,108.5
Other activity,				
primarily foreign				
currency translation	(3.7)	(204.1)	(9.1)	(216.9)
Balance as of				
May 27, 2012	3,297.0	1,344.1	63.8	4,704.9
Acquisitions	20.0	290.7	—	310.7
Other activity,				
primarily foreign				
currency translation	(4.6)	3.4	0.7	(0.5)
Balance as of				
May 26, 2013	3,312.4	1,638.2	64.5	5,015.1
Other activity,				
primarily foreign				
currency translation	(4.9)	3.6	0.5	(0.8)
Balance as of				
May 25, 2014	\$3,307.5	\$1,641.8	\$65.0	\$5,014.3

We performed our fiscal 2014 impairment assessment as of November 25, 2013. 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, except for the *Uncle Toby's* brand, which had a fair value 8 percent greater than its carrying value of \$63.0 million. In addition, our *Mountain High* brand had a fair value 23 percent greater than its carrying value of \$35.0 million. We will continue to monitor these businesses.

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 25, 2014, and May 26, 2013, 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	
	2014	2013	2014	2013	2014	2013	2014	2013
Available for sale:								
Debt securities	\$318.6	\$134.0	\$318.8	\$134.1	\$0.2	\$0.1	\$—	\$—
Equity securities	1.8	1.8	7.2	6.4	5.4	4.6	—	—
Total	\$320.4	\$135.8	\$326.0	\$140.5	\$5.6	\$4.7	\$—	\$—

Earnings include no realized gains or losses 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)	\$ 316.9	\$ 317.1
From 1 to 3 years	1.1	1.1
From 4 to 7 years	0.6	0.6
Equity securities	1.8	7.2
Total	\$ 320.4	\$ 326.0

Marketable securities with a market value of \$2.3 million as of May 25, 2014, were pledged as collateral for derivative contracts. As of May 25, 2014, \$43.1 million of certain accounts receivable are pledged as collateral against a foreign uncommitted line of credit.

The fair value and carrying amounts of long-term debt, including the current portion, were \$8,188.6 million and \$7,674.1 million, respectively, as of May 25, 2014. 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. Long-term debt is a Level 2 liability in the fair value hierarchy.

Risk Management Activities

As a part of our ongoing operations, we are exposed to market risks such as changes in interest and foreign currency exchange rates and commodity and equity 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), dairy products, 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 2014, 2013 and 2012 included:

In Millions	Fiscal Year		
	2014	2013	2012
Net loss on mark-to-market valuation of commodity positions	\$ (4.9)	\$ (7.6)	\$ (122.5)
Net loss on commodity positions reclassified from unallocated corporate items to segment operating profit	51.2	13.7	35.7
Net mark-to-market revaluation of certain grain inventories	2.2	(1.7)	(17.4)
Net mark-to-market valuation of certain commodity positions recognized in unallocated corporate items	\$ 48.5	\$ 4.4	\$ (104.2)

As of May 25, 2014, the net notional value of commodity derivatives was \$304.9 million, of which \$124.1 million related to agricultural inputs and \$180.8 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, Euribor, and commercial paper rates in the United States and Europe. We use interest rate swaps, forward-starting interest rate swaps, and treasury locks 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 2014, 2013, and 2012.

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 2014, 2013, and 2012.

In advance of planned debt financing, we entered into \$250.0 million of treasury locks with an average fixed rate of 1.99 percent. All of these treasury locks were cash settled for \$17.9 million during the third quarter of fiscal 2014, coincident with the issuance of our \$500.0 million 10-year fixed-rate notes.

During the third quarter of fiscal 2013, we entered into swaps to convert \$250.0 million of 0.875 percent fixed-rate notes due January 29, 2016, to floating rates.

As of May 25, 2014, the pre-tax amount of cash-settled interest rate hedge gain or loss remaining in AOCI which will be reclassified to earnings over the remaining term of the related underlying debt follows:

In Millions	Gain/(Loss)
5.2% notes due March 17, 2015	\$ (0.4)
5.7% notes due February 15, 2017	(6.0)
5.65% notes due February 15, 2019	2.3
3.15% notes due December 15, 2021	(74.8)
3.65% notes due February 15, 2024	17.3
5.4% notes due June 15, 2040	(14.5)
4.15% notes due February 15, 2043	11.3
Net pre-tax hedge loss in AOCI	\$ (64.8)

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

In Millions	May 25, 2014	May 26, 2013
Pay-floating swaps - notional amount	\$250.0	\$550.0
Average receive rate	0.9%	1.1%
Average pay rate	0.5%	0.4%
Treasury locks - notional amount	\$ —	\$250.0

The swap contracts mature in fiscal 2016.

The following tables reconcile the net fair values of assets and liabilities subject to offsetting arrangements that are recorded in the Consolidated Balance Sheets to the net fair values that could be reported in the Consolidated Balance Sheets:

May 25, 2014

In Millions	Assets						Liabilities					
	Gross Amounts of Recognized Assets	Gross Liabilities Offset in the Balance Sheet (a)	Net Amounts of Assets (b)	Gross Amounts Not Offset in the Balance Sheet (e)			Gross Amounts of Recognized Liabilities	Gross Assets Offset in the Balance Sheet (a)	Net Amounts of Liabilities (b)	Gross Amounts Not Offset in the Balance Sheet (e)		
				Financial Instruments	Cash Collateral Received	Net Amount (c)				Financial Instruments	Cash Collateral Received	Net Amount (d)
Commodity contracts	\$ 19.1	\$ —	\$ 19.1	\$ (3.4)	\$ —	\$ 15.7	\$ (4.0)	\$ —	\$ (4.0)	\$ 3.4	\$ —	\$ (0.6)
Interest rate contracts	0.7	—	0.7	—	—	0.7	—	—	—	—	—	—
Foreign exchange contracts	10.5	—	10.5	(8.0)	—	2.5	(19.1)	—	(19.1)	8.0	—	(11.1)
Total	\$ 30.3	\$ —	\$ 30.3	\$ (11.4)	\$ —	\$ 18.9	\$ (23.1)	\$ —	\$ (23.1)	\$ 11.4	\$ —	\$ (11.7)

(a) Includes related collateral offset in the Consolidated Balance Sheets.

(b) Net fair value as recorded in the Consolidated Balance Sheets.

(c) Fair value of assets that could be reported net in the Consolidated Balance Sheets.

(d) Fair value of liabilities that could be reported net in the Consolidated Balance Sheets.

(e) Fair value of assets and liabilities reported on a gross basis in the Consolidated Balance Sheets.

May 26, 2013

In Millions	Assets						Liabilities					
	Gross Amounts of Recognized Assets	Gross Liabilities Offset in the Balance Sheet (a)	Net Amounts of Assets (b)	Gross Amounts Not Offset in the Balance Sheet (e)			Gross Amounts of Recognized Liabilities	Gross Assets Offset in the Balance Sheet (a)	Net Amounts of Liabilities (b)	Gross Amounts Not Offset in the Balance Sheet (e)		
				Financial Instruments	Cash Collateral Received	Net Amount (c)				Financial Instruments	Cash Collateral Received	Net Amount (d)
Commodity contracts	\$ 33.0	\$ (19.6)	\$ 13.4	\$ —	\$ —	\$ 13.4	\$ (23.5)	\$ 19.6	\$ (3.9)	\$ —	\$ —	\$ (3.9)
Interest rate contracts	10.3	—	10.3	—	—	10.3	—	—	—	—	—	—
Foreign exchange contracts	22.5	—	22.5	(1.7)	—	20.8	(1.7)	—	(1.7)	1.7	—	—
Total	\$ 65.8	\$ (19.6)	\$ 46.2	\$ (1.7)	\$ —	\$ 44.5	\$ (25.2)	\$ 19.6	\$ (5.6)	\$ 1.7	\$ —	\$ (3.9)

(a) Includes related collateral offset in the Consolidated Balance Sheets.

(b) Net fair value as recorded in the Consolidated Balance Sheets.

(c) Fair value of assets that could be reported net in the Consolidated Balance Sheets.

(d) Fair value of liabilities that could be reported net in the Consolidated Balance Sheets.

(e) Fair value of assets and liabilities reported on a gross basis in the Consolidated Balance Sheets.

Foreign Exchange Risk

Foreign currency fluctuations affect our net investments in foreign subsidiaries and foreign currency cash flows related to third party purchases, intercompany loans, product shipments, and foreign-denominated commercial paper. We are also exposed to the translation of foreign currency earnings to the U.S. dollar. Our principal exposures are to the Australian dollar, Brazilian real, British pound sterling, Canadian dollar, Chinese renminbi, euro, Japanese yen, Mexican peso, and Swiss franc. 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 of the entity with foreign exchange exposure; 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 25, 2014, the net notional value of foreign exchange derivatives was \$1,222.9 million. The amount of hedge ineffectiveness was less than \$1 million in each of fiscal 2014, 2013, and 2012.

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. During the second quarter of fiscal 2014, we entered into a net investment hedge for a portion of our net investment in foreign operations denominated in euros by issuing €500.0 million of euro-denominated bonds. As of May 25, 2014, we had deferred net foreign currency transaction losses of \$104.3 million in AOCI associated with hedging activity.

Venezuela is a highly inflationary economy and as such, we remeasure the value of the assets and liabilities of our Venezuelan subsidiary based on the exchange rate at which we expect to remit dividends in U.S. dollars. In February 2013, the Venezuelan government devalued the bolivar by resetting the official exchange rate. The effect of the devaluation in fiscal 2013 was a \$25.2 million foreign exchange loss in segment operating profit resulting from the remeasurement of assets and liabilities of our Venezuelan subsidiary. On February 19, 2014, the Venezuelan government established a new foreign exchange market mechanism ("SICAD 2") and has indicated that this will be the market through which U.S. dollars will be obtained for the remittance of dividends.

This market has significantly higher foreign exchange rates than those available through the other foreign exchange mechanisms. In the fourth quarter of fiscal 2014, we recorded a \$62.2 million foreign exchange loss in the International segment operating profit resulting from the remeasurement of assets and liabilities of our Venezuelan subsidiary at the SICAD 2 rate of 50.0 bolivars per U.S. dollar. We have been able to access U.S. dollars through the SICAD 2 market. Our Venezuela operations represent less than 1 percent of our consolidated assets, liabilities, net sales, and segment operating profit. At May 25, 2014, we had \$2.6 million of non-U.S. dollar cash balances in Venezuela.

Equity Instruments

Equity price movements affect our compensation expense as certain investments made by our employees in our deferred compensation plan are revalued. We use equity swaps to manage this risk. As of May 25, 2014, the net notional amount of our equity swaps was \$104.4 million. These swap contracts mature in fiscal 2015.

Fair Value Measurements And Financial Statement Presentation

The fair values of our assets, liabilities, and derivative positions recorded at fair value and their respective levels in the fair value hierarchy as of May 25, 2014 and May 26, 2013, were as follows:

In Millions	May 25, 2014				May 25, 2014			
	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)}	\$ —	\$ 0.7	\$ —	\$ 0.7	\$ —	\$ —	\$ —	\$ —
Foreign exchange contracts ^{(c) (d)}	—	9.9	—	9.9	—	(12.6)	—	(12.6)
Total	—	10.6	—	10.6	—	(12.6)	—	(12.6)
Derivatives not designated as hedging instruments:								
Foreign exchange contracts ^{(c) (d)}	—	0.6	—	0.6	—	(6.5)	—	(6.5)
Commodity contracts ^{(c) (e)}	11.1	8.0	—	19.1	—	(4.0)	—	(4.0)
Grain contracts ^{(c) (e)}	—	7.5	—	7.5	—	(4.9)	—	(4.9)
Total	11.1	16.1	—	27.2	—	(15.4)	—	(15.4)
Other assets and liabilities reported at fair value:								
Marketable investments ^{(a) (f)}	7.2	318.8	—	326.0	—	—	—	—
Total	7.2	318.8	—	326.0	—	—	—	—
Total assets, liabilities, and derivative positions recorded at fair value	\$ 18.3	\$345.5	\$ —	\$363.8	\$ —	\$ (28.0)	\$ —	\$ (28.0)

(a) These contracts and investments are recorded as prepaid expenses and other current assets, other assets, other current liabilities or 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.

In Millions	May 26, 2013				May 26, 2013			
	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)}	\$ —	\$ 10.3	\$ —	\$ 10.3	\$ —	\$ —	\$ —	\$ —
Foreign exchange contracts ^{(c) (d)}	—	15.7	—	15.7	—	(1.6)	—	(1.6)
Total	—	26.0	—	26.0	—	(1.6)	—	(1.6)
Derivatives not designated as hedging instruments:								
Foreign exchange contracts ^{(c) (d)}	—	6.7	—	6.7	—	(0.1)	—	(0.1)
Equity contracts ^{(a) (e)}	—	—	—	—	—	(0.2)	—	(0.2)
Commodity contracts ^{(c) (e)}	10.3	3.1	—	13.4	—	(3.9)	—	(3.9)
Grain contracts ^{(c) (e)}	—	7.5	—	7.5	—	(30.4)	—	(30.4)
Total	10.3	17.3	—	27.6	—	(34.6)	—	(34.6)
Other assets and liabilities reported at fair value:								
Marketable investments ^{(a) (f)}	6.4	134.1	—	140.5	—	—	—	—
Total	6.4	134.1	—	140.5	—	—	—	—
Total assets, liabilities, and derivative positions								
recorded at fair value	\$ 16.7	\$ 177.4	\$ —	\$ 194.1	\$ —	\$ (36.2)	\$ —	\$ (36.2)

(a) These contracts and investments are recorded as prepaid expenses and other current assets, other assets, other current liabilities or 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.

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 25, 2014, and May 26, 2013, follows:

In Millions	Interest Rate Contracts		Foreign Exchange Contracts		Equity Contracts		Commodity Contracts		Total	
	Fiscal Year		Fiscal Year		Fiscal Year		Fiscal Year		Fiscal Year	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Derivatives in Cash Flow Hedging Relationships:										
Amount of gain recognized in other comprehensive income (OCI) ^(a)	\$10.6	\$19.1	\$0.6	\$16.4	\$—	\$—	\$—	\$—	\$11.2	\$35.5
Amount of net gain (loss) reclassified from AOCI into earnings ^{(a) (b)}	(11.7)	(12.5)	16.4	(4.8)	—	—	—	—	4.7	(17.3)
Amount of net gain (loss) recognized in earnings ^(c)	—	—	(0.1)	0.4	—	—	—	—	(0.1)	0.4
Derivatives in Fair Value Hedging Relationships:										
Amount of net gain recognized in earnings ^(d)	0.2	0.8	—	—	—	—	—	—	0.2	0.8
Derivatives Not Designated as Hedging Instruments:										
Amount of net gain (loss) recognized in earnings ^(d)	—	—	(20.0)	11.6	9.8	12.0	(4.9)	(7.6)	(15.1)	16.0

(a) Effective portion.

(b) Gain (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) Gain (loss) recognized in earnings is related to the ineffective portion of the hedging relationship, including SG&A expenses for foreign exchange contracts and interest, net for interest rate contracts. 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 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

As of May 25, 2014, the after-tax amounts of unrealized gains and losses in AOCI related to hedge derivatives follows:

In Millions	After-Tax Gain/(Loss)
Unrealized losses from interest rate cash flow hedges	\$ (39.4)
Unrealized gains from foreign currency cash flow hedges	0.6
After-tax loss in AOCI related to hedge derivatives	\$ (38.8)

The net amount of pre-tax gains and losses in AOCI as of May 25, 2014, that we expect to be reclassified into net earnings within the next 12 months is \$7.4 million of loss.

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 25, 2014, was \$9.0 million. We have posted no collateral under these contracts. If the credit-risk-related contingent features underlying these agreements had been triggered on May 25, 2014, we would have been required to post \$9.0 million of collateral to counterparties.

Concentrations Of Credit And Counterparty Credit Risk

During fiscal 2014, Wal-Mart Stores, Inc. and its affiliates (Wal-Mart) accounted for 21 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 7 percent of our net sales in the International segment and 7 percent of our net sales in the Convenience Stores and Foodservice segment. As of May 25, 2014, Wal-Mart accounted for 31 percent of our U.S. Retail receivables, 5 percent of our International receivables, and 9 percent of our Convenience Stores and Foodservice receivables. The five largest customers in our U.S. Retail segment accounted for 53 percent of its fiscal 2014 net sales, the five largest customers in our International segment accounted for 25 percent of its fiscal 2014 net sales, and the five largest customers

in our Convenience Stores and Foodservice segment accounted for 42 percent of its fiscal 2014 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 \$5.9 million against which we do not hold collateral. Under the terms of our 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.

We offer certain suppliers access to a third party service that allows them to view our scheduled payments online. The third party service also allows suppliers to finance advances on our scheduled payments at the sole discretion of the supplier and the third party. We have no economic interest in these financing arrangements and no direct relationship with the suppliers, the third party, or any financial institutions concerning this service. All of our accounts payable remain as obligations to our suppliers as stated in our supplier agreements. As of May 25, 2014, \$285.5 million of our total accounts payable is payable to suppliers who utilize this third party service.

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 25, 2014		May 26, 2013	
	Notes Payable	Weighted-average Interest Rate	Notes Payable	Weighted-average Interest Rate
U.S. commercial paper	\$1,007.6	0.2%	\$515.5	0.2%
Financial institutions	104.1	12.1	84.2	13.0
Total	\$1,111.7	1.3%	\$599.7	2.0%

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 have commercial paper programs available to us in the United States and Europe. We also have uncommitted and asset-backed credit lines that support our foreign operations.

The following table details the fee-paid committed and uncommitted credit lines we had available as of May 25, 2014:

In Billions	Facility Amount	Borrowed Amount
Credit facility expiring:		
April 2017	\$ 1.7	\$ —
May 2019	1.0	—
Total committed credit facilities	2.7	—
Uncommitted credit facilities	0.4	0.1
Total committed and uncommitted credit facilities	\$ 3.1	\$ 0.1

In May 2014, we entered into a \$1.0 billion fee-paid committed credit facility that is scheduled to expire in May 2019. Concurrent with the execution of this credit facility, we terminated our credit facility that provided \$1.0 billion of revolving credit which was scheduled to expire in April 2015.

The credit facilities contain covenants, including a requirement to maintain a fixed charge coverage ratio of at least 2.5 times. We were in compliance with all credit facility covenants as of May 25, 2014.

Long-Term Debt In May 2014, we repaid \$400.0 million of floating-rate notes and \$300.0 million of 1.55 percent notes.

In January 2014, we issued \$500.0 million aggregate principal amount of 3.65 percent fixed-rate notes due February 15, 2024 and \$250.0 million aggregate principal amount of floating-rate notes due January 28, 2016. Interest on the fixed-rate notes is payable semi-annually in arrears. The fixed-rate notes may be redeemed in whole, or in part, at our option at any time prior to November 15, 2023 for a specified make whole amount and any time on or after that date at par. The floating-rate notes bear interest equal to three-month LIBOR plus 20 basis points, subject to quarterly reset. Interest on the floating-rate notes is payable quarterly in arrears. The floating-rate notes are not redeemable prior to maturity. The fixed-rate and floating-rate notes are senior unsecured obligations that include a change of control repurchase provision. The net proceeds were used for general corporate purposes and to reduce our commercial paper borrowings.

In November 2013, we issued €500.0 million aggregate principal amount of 2.1 percent fixed-rate notes due November 16, 2020. Interest on the notes is payable annually in arrears. The notes may be redeemed in whole, or in part, at our option at any time prior to August 16, 2020 for a specified make whole amount and any time on or after that date at par. These notes are senior unsecured obligations that include a change of control repurchase provision. The net proceeds were used for general corporate purposes and to reduce our commercial paper borrowings.

In January 2013, we issued \$250.0 million aggregate principal amount of floating-rate notes due January 29, 2016. In October 2013, we issued an additional \$250.0 million aggregate principal amount of these notes. The notes bear interest equal to three-month LIBOR plus 30 basis points, subject to quarterly reset. Interest on the notes is payable quarterly in arrears. The notes are not redeemable prior to maturity. These notes are senior unsecured obligations that include a change of control repurchase provision. The net proceeds were used to reduce our commercial paper borrowings.

In August 2013, we repaid \$700.0 million of 5.25 percent notes.

In January 2013, we issued \$750.0 million aggregate principal amount of fixed-rate notes. The issuance consisted of \$250.0 million 0.875 percent notes due January 29, 2016 and \$500.0 million 4.15 percent notes due February 15, 2043. Interest on the fixed-rate notes is payable semi-annually in arrears. The fixed-rate notes due January 29, 2016 may be redeemed in whole,

or in part, at our option at any time for a specified make whole amount. The fixed-rate notes due February 15, 2043 may be redeemed in whole, or in part, at our option at any time prior to August 15, 2042 for a specified make whole amount and any time on or after that date at par. These notes are senior unsecured obligations that include a change of control repurchase provision. The net proceeds were used to reduce our commercial paper borrowings.

In September 2012, we repaid \$520.8 million of 5.65 percent notes.

Certain of our long-term debt agreements contain restrictive covenants. As of May 25, 2014, we were in compliance with all of these covenants.

As of May 25, 2014, the \$64.8 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 2015 is a \$10.6 million pre-tax loss.

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

In Millions	May 25, 2014	May 26, 2013
5.65% notes due February 15, 2019	\$1,150.0	\$1,150.0
5.7% notes due February 15, 2017	1,000.0	1,000.0
3.15% notes due December 15, 2021	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
2.1% notes due November 16, 2020	681.5	—
5.4% notes due June 15, 2040	500.0	500.0
4.15% notes due February 15, 2043	500.0	500.0
3.65% notes due February 15, 2024	500.0	—
Floating-rate notes due January 29, 2016	500.0	250.0
Floating-rate notes due May 16, 2014	—	400.0
Euribor-based floating-rate note due December 15, 2014	395.3	368.6
1.55% notes due May 16, 2014	—	300.0
0.875% notes due January 29, 2016	250.0	250.0
Floating-rate notes due January 28, 2016	250.0	—
Medium-term notes, 0.02% to 6.4%, due fiscal 2015 or later	204.2	204.2
Other, including capital leases	(6.9)	(3.4)
	7,674.1	7,369.4
Less amount due within one year	(1,250.6)	(1,443.3)
Total long-term debt	\$6,423.5	\$5,926.1

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 \$1,250.6 million in fiscal 2015, \$1,000.6 million in fiscal 2016, \$1,000.0 million in fiscal 2017, \$100.0 million in fiscal 2018, and \$1,150.0 million in fiscal 2019.

NOTE 9. REDEEMABLE AND NONCONTROLLING INTERESTS

Our principal redeemable and noncontrolling interests relate to our Yoplait S.A.S., Yoplait Marques S.A.S., Liberté Marques, S.a.r.l., and General Mills Cereals, LLC (GMC) subsidiaries. In addition, we have seven foreign subsidiaries that have noncontrolling interests totaling \$5.8 million as of May 25, 2014.

We have a 51 percent controlling interest in Yoplait S.A.S. and a 50 percent interest in Yoplait Marques S.A.S. Sodiaal holds the remaining interests in each of the entities. On the acquisition date in fiscal 2012, we recorded the \$904.4 million fair value of Sodiaal's 49 percent euro-denominated interest in Yoplait S.A.S. as a redeemable interest on our Consolidated Balance Sheets. Sodiaal has the ability to put a limited portion of its redeemable interest to us at fair value once per year up to a maximum remaining term of 6 years. We adjust the value of the redeemable interest through additional paid-in capital on our Consolidated Balance Sheets quarterly to the redeemable interest's redemption value, which approximates its fair value. Yoplait S.A.S. pays dividends annually if it meets certain financial metrics set forth in its shareholders agreement. As of May 25, 2014, the redemption value of the euro-denominated redeemable interest was \$984.1 million.

In addition, a subsidiary of Yoplait S.A.S. has entered into an exclusive milk supply agreement for its European operations with Sodiaal at market-determined prices through July 1, 2021. Net purchases totaled \$311.2 million for fiscal 2014 and \$263.5 million for fiscal 2013.

On the acquisition date in fiscal 2012, we recorded the \$263.8 million fair value of Sodiaal's 50 percent euro-denominated interest in Yoplait Marques S.A.S. as a noncontrolling interest on our Consolidated Balance Sheets. Yoplait Marques S.A.S. earns a royalty stream through a licensing agreement with Yoplait S.A.S. for the rights to the *Yoplait* and related trademarks. Yoplait Marques S.A.S. pays dividends annually based on its available cash as of its fiscal year end.

During the third quarter of fiscal 2014, we formed Liberté Marques, S.a.r.l. and sold a 50 percent euro-denominated interest in the entity to Sodiaal in exchange for \$17.6 million. We recorded Sodiaal's 50 percent interest in the entity as a noncontrolling interest on our Consolidated Balance Sheets. Liberté Marques, S.a.r.l. earns a royalty stream through licensing agreements with certain Yoplait group companies for the rights to *Liberté* and related trademarks. Liberté Marques, S.a.r.l. pays dividends annually based on its available cash as of its fiscal year end.

During fiscal 2014, we paid \$71.9 million of dividends to Sodiaal under the terms of the Yoplait S.A.S. and Yoplait Marques S.A.S. shareholder agreements.

During the first quarter of fiscal 2013, in conjunction with the consent of the Class A investor, we restructured GMC through the distribution of its manufacturing assets, stock, inventory, cash, and certain intellectual property to a wholly owned subsidiary. GMC retained the remaining intellectual property. Immediately following the restructuring, the Class A Interests of GMC were sold by the then current holder to another unrelated third-party investor.

The holder of the GMC 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 110 basis points, to the holder's capital account balance established in the most recent mark-to-market valuation (currently \$251.5 million). The preferred return rate is adjusted every three years through a negotiated agreement with the Class A Interest holder or through a remarketing auction.

For financial reporting purposes, the assets, liabilities, results of operations, and cash flows of our non-wholly owned subsidiaries are included in our Consolidated Financial Statements. The third-party investor's share of the net earnings of these subsidiaries is reflected in net earnings attributable to redeemable and noncontrolling interests in the Consolidated Statements of Earnings.

Our noncontrolling interests contain restrictive covenants. As of May 25, 2014, 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.

On June 28, 2010, our Board of Directors authorized the repurchase of up to 100 million shares of our common stock. The Board terminated this authorization on May 6, 2014, and 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.

During fiscal 2014, we repurchased 35.6 million shares of common stock for an aggregate purchase price of \$1,774.4 million. During fiscal 2013, we repurchased 24.2 million shares of common stock for an aggregate purchase price of \$1,014.9 million. During fiscal 2012, we repurchased 8.3 million shares of common stock for an aggregate purchase price of \$313.0 million.

During the fourth quarter of fiscal 2013, we entered into an Accelerated Share Repurchase (ASR) agreement with an unrelated third party financial institution to repurchase an aggregate of \$300.0 million of our outstanding common stock. Under the ASR agreement, we paid \$300.0 million to the financial institution and received 5.5 million shares of common stock with a fair value of \$270.0 million during the fourth quarter of 2013. We received an additional 0.6 million shares of common stock upon completion of the ASR agreement during the first quarter of fiscal 2014. As of May 26, 2013, we recorded this transaction as an increase in treasury stock of \$270.0 million, and recorded the remaining \$30.0 million as a decrease to additional paid-in capital on our Consolidated Balance Sheets. Upon completion of the ASR agreement in the first quarter of fiscal 2014, we reclassified the \$30.0 million to treasury stock from additional paid-in capital on our Consolidated Balance Sheets.

The following table provides details of total comprehensive income:

In Millions	Fiscal 2014				
	General Mills		Net	Noncontrolling	Redeemable
	Pretax	Tax		Interests	Interests
			Net	Net	
Net earnings, including earnings attributable to redeemable and noncontrolling interests			\$ 1,824.4	\$ 5.8	\$ 31.1
Other comprehensive income (loss):					
Foreign currency translation	\$ (71.8)	\$ —	(71.8)	19.1	41.4
Net actuarial income	327.2	(121.2)	206.0	—	—
Other fair value changes:					
Securities	0.5	(0.2)	0.3	—	—
Hedge derivatives	14.4	(7.0)	7.4	—	(2.4)
Reclassification to earnings:					
Hedge derivatives ^(a)	(4.7)	0.2	(4.5)	—	(0.1)
Amortization of losses and prior service costs ^(b)	172.7	(65.1)	107.6	—	—
Other comprehensive income	438.3	(193.3)	245.0	19.1	38.9
Total comprehensive income			\$ 2,069.4	\$ 24.9	\$ 70.0

(a) Gain 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.

(b) Loss reclassified from AOCI into earnings is reported in SG&A expense.

In Millions	Fiscal 2013				
	General Mills		Net	Noncontrolling	Redeemable
	Pretax	Tax		Interests	Interests
			Net	Net	
Net earnings, including earnings attributable to redeemable and noncontrolling interests			\$ 1,855.2	\$ 8.0	\$ 29.3
Other comprehensive (loss):					
Foreign currency translation	\$ (19.8)	\$ —	(19.8)	10.3	10.3
Net actuarial loss	76.3	(31.3)	45.0	—	—
Other fair value changes:					
Securities	1.2	(0.4)	0.8	—	—
Hedge derivatives	33.5	(10.4)	23.1	—	1.5
Reclassification to earnings:					
Hedge derivatives ^(a)	15.0	(4.5)	10.5	—	1.7
Amortization of losses and prior service costs ^(b)	159.9	(61.1)	98.8	—	—
Other comprehensive income	266.1	(107.7)	158.4	10.3	13.5
Total comprehensive income			\$ 2,013.6	\$ 18.3	\$ 42.8

(a) 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.

(b) Loss reclassified from AOCI into earnings is reported in SG&A expense.

In Millions	Fiscal 2012				
	General Mills		Net	Noncontrolling Interests	Redeemable Interests
	Pretax	Tax		Net	Net
Net earnings, including earnings attributable to redeemable and noncontrolling interests			\$ 1,567.3	\$ 6.8	\$ 15.0
Other comprehensive income (loss):					
Foreign currency translation	\$ (270.3)	\$ —	(270.3)	(51.1)	(98.7)
Net actuarial gain	(813.1)	308.5	(504.6)	—	—
Other fair value changes:					
Securities	(0.3)	0.1	(0.2)	—	—
Hedge derivatives	(80.8)	31.2	(49.6)	—	(3.8)
Reclassification to earnings:					
Hedge derivatives ^(a)	16.3	(6.2)	10.1	—	1.4
Amortization of losses and prior service costs ^(b)	131.6	(49.9)	81.7	—	—
Other comprehensive loss	(1,016.6)	283.7	(732.9)	(51.1)	(101.1)
Total comprehensive income (loss)			\$ 834.4	\$ (44.3)	\$ (86.1)

(a) 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.

(b) Loss reclassified from AOCI into earnings is reported in SG&A expense.

In fiscal 2014, 2013, and 2012, 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 25, 2014	May 26, 2013
Foreign currency translation adjustments	\$ 191.3	\$ 263.1
Unrealized gain (loss) from:		
Securities	2.9	2.6
Hedge derivatives	(38.8)	(41.7)
Pension, other postretirement, and postemployment benefits:		
Net actuarial loss	(1,469.2)	(1,801.5)
Prior service costs	(26.5)	(7.8)
Accumulated other comprehensive loss	\$ (1,340.3)	\$ (1,585.3)

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 25, 2014, a total of 30.8 million shares were available for grant in the form of stock options, restricted stock, restricted stock units, and shares of

unrestricted stock under the 2011 Stock Compensation Plan (2011 Plan) and the 2011 Compensation Plan for Non-Employee Directors. The 2011 Plan also provides for the issuance of cash-settled share-based units, stock appreciation rights, and performance awards. Stock-based awards now outstanding include some granted under the 2001, 2003, 2005, 2006, 2007, and 2009 stock plans and the Executive Incentive Plan, under which no further awards may be granted. The stock plans provide for accelerated vesting of awards upon retirement, termination, or death of eligible employees and directors.

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		
	2014	2013	2012
Estimated fair values of stock options granted	\$ 6.03	\$ 3.65	\$ 5.88
Assumptions:			
Risk-free interest rate	2.6%	1.6%	2.9%
Expected term	9.0 years	9.0 years	8.5 years
Expected volatility	17.4%	17.3%	17.6%
Dividend yield	3.1%	3.5%	3.3%

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 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 29, 2011	39,221.7	\$23.78	67,547.3	\$ 26.82
Granted			4,069.0	37.29
Exercised			(10,279.3)	24.12
Forfeited or expired			(394.3)	27.88
Balance as of				
May 27, 2012	39,564.9	25.27	60,942.7	27.96
Granted			3,407.7	38.15
Exercised			(16,534.6)	23.49
Forfeited or expired			(143.7)	34.06
Balance as of				
May 26, 2013	29,290.3	27.69	47,672.1	30.22
Granted			2,789.8	48.33
Exercised			(6,181.3)	24.78
Forfeited or expired			(111.6)	38.74
Balance as of				
May 25, 2014	29,452.8	\$28.37	44,169.0	\$ 32.10

Stock-based compensation expense related to stock option awards was \$18.2 million in fiscal 2014, \$17.5 million in fiscal 2013, and \$23.9 million in fiscal 2012.

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

In Millions	Fiscal Year		
	2014	2013	2012
Net cash proceeds	\$108.1	\$300.8	\$233.5
Intrinsic value of options exercised	\$166.6	\$297.2	\$156.7

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 2011 Plan. 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 26, 2013	8,042.2	\$35.89	388.2	\$32.60	2,287.8	\$38.41
Granted	2,069.8	48.49	74.3	48.39	—	—
Vested	(2,004.8)	29.76	(144.9)	28.39	(1,445.5)	28.25
Forfeited, expired, or reclassified	(213.5)	40.83	(68.1)	39.55	(19.5)	37.03
Non-vested as of May 25, 2014	7,893.7	\$40.81	249.5	\$25.67	822.8	\$36.52

	Fiscal Year		
	2014	2013	2012
Number of units granted (thousands)	2,144.1	2,404.9	2,785.7
Weighted average price per unit	\$48.49	\$38.41	\$37.29

The total grant-date fair value of restricted stock unit awards that vested during fiscal 2014 was \$104.6 million, and \$134.1 million vested during fiscal 2013.

As of May 25, 2014, unrecognized compensation expense related to non-vested stock options and restricted stock units was \$117.2 million. This expense will be recognized over 17 months, on average.

Stock-based compensation expense related to restricted stock units and cash-settled share-based payment awards was \$107.0 million for fiscal 2014, \$128.9 million for fiscal 2013, and \$124.3 million for fiscal 2012.

NOTE 12. EARNINGS PER SHARE

Basic and diluted EPS were calculated using the following:

In Millions, Except per Share Data	Fiscal Year		
	2014	2013	2012
Net earnings attributable to General Mills	\$1,824.4	\$1,855.2	\$1,567.3
Average number of common shares - basic EPS	628.6	648.6	648.1
Incremental share effect from: ^(a)			
Stock options	12.3	12.0	13.9
Restricted stock, restricted stock units, and other	4.8	5.0	4.7
Average number of common shares - diluted EPS	645.7	665.6	666.7
Earnings per share - basic	\$ 2.90	\$ 2.86	\$ 2.42
Earnings per share - diluted	\$ 2.83	\$ 2.79	\$ 2.35

(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		
	2014	2013	2012
Anti-dilutive stock options and restricted stock units	1.7	0.6	5.8

NOTE 13. RETIREMENT BENEFITS AND POSTEMPLOYMENT BENEFITS

Defined Benefit Pension Plans We have defined benefit pension plans covering most employees in the United States, Canada, France, and the United Kingdom. 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 no voluntary contributions to our principal U.S. plans in fiscal 2014 and made a \$200.0 million voluntary contribution in each of fiscal 2013 and fiscal 2012. We do not expect to be required to make any contributions in fiscal 2015. 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. In fiscal 2012, we announced changes to our U.S. defined benefit pension plans. All new salaried employees hired on or after June 1, 2013 are eligible for a new retirement program that does not include a defined benefit pension plan. Current salaried employees remain in the existing defined benefit pension plan with adjustments to benefits.

Other Postretirement Benefit Plans We also sponsor plans that provide health care benefits to the majority of our retirees in the United States, Canada, and Brazil. The United States 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 made \$24.0 million in voluntary contributions to these plans in fiscal 2014. We did not make voluntary contributions to these plans in fiscal 2013.

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

	Fiscal Year	
	2014	2013
Health care cost trend rate for next year	6.5% and 7.3%	8.0%
Rate to which the cost trend rate is assumed to decline (ultimate rate)	5.0%	5.2%
Year that the rate reaches the ultimate trend rate	2025	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 7.3 percent for retirees age 65 and over and 6.5 percent for retirees under age 65 at the end of fiscal 2014. Rates are graded down annually until the ultimate trend rate of 5.0 percent is reached in 2025 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 2015	\$ 4.7	\$ (3.9)
Effect on the other postretirement accumulated benefit obligation as of May 25, 2014	82.7	(73.2)

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.

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 benefit, and postemployment benefit plans is presented below:

In Millions	Defined Benefit Pension Plans		Other Postretirement Benefit Plans		Postemployment Benefit Plans	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2014	2013	2014	2013	2014	2013
Change in Plan Assets:						
Fair value at beginning of year	\$5,066.1	\$ 4,353.9	\$ 436.9	\$ 358.8		
Actual return on assets	740.2	698.7	59.1	67.9		
Employer contributions	25.6	223.1	24.1	0.1		
Plan participant contributions	6.7	15.2	13.5	13.0		
Benefits payments	(231.4)	(222.6)	(16.3)	(2.9)		
Foreign currency	4.6	(2.2)	—	—		
Fair value at end of year	\$5,611.8	\$ 5,066.1	\$ 517.3	\$ 436.9		
Change in Projected Benefit Obligation:						
Benefit obligation at beginning of year	\$5,381.4	\$ 4,991.5	\$ 1,148.2	\$ 1,129.0	\$ 145.4	\$ 141.3
Service cost	133.0	124.4	22.7	21.6	7.7	7.8
Interest cost	239.5	237.3	50.5	52.1	4.1	4.4
Plan amendment	17.8	0.2	18.2	—	—	4.5
Curtailment/other	—	—	(2.9)	—	3.7	11.4
Plan participant contributions	6.7	15.2	13.5	13.0	—	—
Medicare Part D reimbursements	—	—	4.3	4.1	—	—
Actuarial loss (gain)	67.6	237.5	(119.4)	(23.0)	1.8	(10.4)
Benefits payments	(231.6)	(222.8)	(59.3)	(58.9)	(17.2)	(13.6)
Foreign currency	3.6	(1.9)	(1.0)	(0.1)	(0.2)	—
Acquisitions	—	—	—	10.4	—	—
Projected benefit obligation at end of year	\$5,618.0	\$ 5,381.4	\$ 1,074.8	\$ 1,148.2	\$ 145.3	\$ 145.4
Plan assets less than benefit obligation as of fiscal year end	\$ (6.2)	\$ (315.3)	\$ (557.5)	\$ (711.3)	\$(145.3)	\$(145.4)

The accumulated benefit obligation for all defined benefit pension plans was \$5,093.1 million as of May 25, 2014, and \$4,888.8 million as of May 26, 2013.

Amounts recognized in AOCI as of May 25, 2014, and May 26, 2013, 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	
	2014	2013	2014	2013	2014	2013	2014	2013
Net actuarial loss	\$(1,389.2)	\$(1,625.1)	\$(70.2)	\$(168.2)	\$ (9.8)	\$ (8.2)	\$(1,469.2)	\$(1,801.5)
Prior service (costs) credits	(26.1)	(18.5)	4.0	16.6	(4.4)	(5.9)	(26.5)	(7.8)
Amounts recorded in accumulated other comprehensive loss	\$(1,415.3)	\$(1,643.6)	\$(66.2)	\$(151.6)	\$(14.2)	\$(14.1)	\$(1,495.7)	\$(1,809.3)

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	
	2014	2013	2014	2013	2014	2013
Projected benefit obligation	\$433.1	\$396.9	\$ —	\$ —	\$ —	\$ —
Accumulated benefit obligation	375.6	346.6	1,070.0	1,132.9	145.3	145.4
Plan assets at fair value	—	9.5	517.3	436.9	—	—

Components of net periodic benefit expense are as follows:

In Millions	Defined Benefit Pension Plans			Other Postretirement Benefit Plans			Postemployment Benefit Plans		
	Fiscal Year			Fiscal Year			Fiscal Year		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Service cost	\$ 133.0	\$ 124.4	\$ 114.3	\$ 22.7	\$ 21.6	\$ 18.0	\$ 7.7	\$ 7.8	\$ 7.5
Interest cost	239.5	237.3	237.9	50.5	52.1	55.6	4.1	4.4	4.8
Expected return on plan assets	(455.6)	(428.0)	(440.3)	(34.6)	(32.1)	(35.5)	—	—	—
Amortization of losses	151.0	136.0	108.1	15.4	17.1	14.5	0.6	2.1	1.7
Amortization of prior service costs (credits)	5.6	6.2	8.6	(3.4)	(3.4)	(3.4)	2.4	1.9	2.1
Other adjustments	—	—	—	—	—	—	3.7	11.4	12.0
Settlement or curtailment losses	—	—	—	(2.9)	—	—	—	—	—
Net expense	\$ 73.5	\$ 75.9	\$ 28.6	\$ 47.7	\$ 55.3	\$ 49.2	\$ 18.5	\$ 27.6	\$ 28.1

We expect to recognize the following amounts in net periodic benefit expense in fiscal 2015:

In Millions	Defined Benefit Pension Plans	Other Postretirement Benefit Plans	Postemployment Benefit Plans
Amortization of losses	\$ 141.7	\$ 4.9	\$ 0.7
Amortization of prior service costs (credits)	7.4	(1.6)	2.4

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	
	2014	2013	2014	2013	2014	2013
Discount rate	4.54%	4.54%	4.51%	4.50%	3.82%	3.70%
Rate of salary increases	4.44	4.44	—	—	4.44	4.44

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

	Defined Benefit Pension Plans			Other Postretirement Benefit Plans			Postemployment Benefit Plans		
	Fiscal Year			Fiscal Year			Fiscal Year		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Discount rate	4.54%	4.85%	5.45%	4.52%	4.70%	5.35%	3.70%	3.86%	4.77%
Rate of salary increases	4.44	4.44	4.92	—	—	—	4.44	4.45	4.92
Expected long-term rate of return on plan assets	8.53	8.53	9.52	8.11	8.13	9.32	—	—	—

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 outside actuaries to determine the timing and amount of expected future cash outflows to plan participants and, using the Aa Above Median corporate bond yield, 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 The fair values of our pension and postretirement benefit plans' assets and their respective levels in the fair value hierarchy at May 25, 2014 and May 26, 2013, by asset category were as follows:

In Millions	May 25, 2014				May 26, 2013			
	Level 1	Level 2	Level 3	Total Assets	Level 1	Level 2	Level 3	Total Assets
Fair value measurement								
of pension plan assets:								
Equity ^(a)	\$ 1,305.4	\$ 793.9	\$ 568.2	\$ 2,667.5	\$ 1,439.4	\$ 828.3	\$ 559.3	\$ 2,827.0
Fixed income ^(b)	586.3	1,347.7	—	1,934.0	476.6	801.0	—	1,277.6
Real asset investments ^(c)	98.2	128.3	602.9	829.4	131.1	169.1	430.4	730.6
Other investments ^(d)	—	—	0.3	0.3	—	60.9	0.3	61.2
Cash and accruals	180.6	—	—	180.6	169.7	—	—	169.7
Total fair value measurement								
of pension plan assets	\$ 2,170.5	\$ 2,269.9	\$ 1,171.4	\$ 5,611.8	\$ 2,216.8	\$ 1,859.3	\$ 990.0	\$ 5,066.1
Fair value measurement								
of postretirement benefit								
plan assets:								
Equity ^(a)	\$ 86.6	\$ 129.1	\$ 21.1	\$ 236.8	\$ 93.1	\$ 92.0	\$ 20.2	\$ 205.3
Fixed income ^(b)	18.5	65.8	—	84.3	17.2	50.3	—	67.5
Real asset investments ^(c)	—	19.3	17.9	37.2	1.8	7.1	14.5	23.4
Other investments ^(d)	—	152.4	—	152.4	—	130.9	—	130.9
Cash and accruals	6.6	—	—	6.6	9.8	—	—	9.8
Fair value measurement								
of postretirement benefit								
plan assets	\$ 111.7	\$ 366.6	\$ 39.0	\$ 517.3	\$ 121.9	\$ 280.3	\$ 34.7	\$ 436.9

- (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: United States and international equity securities, mutual funds, and equity futures valued at closing prices from national exchanges; and 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: fixed income securities and bond futures generally valued at closing prices from national exchanges, fixed income pricing models, and independent financial analysts; and fixed income 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: energy and real estate securities generally valued at closing prices from national exchanges; and 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 to provide 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 plans' assets during the years ended May 25, 2014 and May 26, 2013:

In Millions	Fiscal 2014				
	Balance as of May 26, 2013	Net Transfers Out	Net Purchases, Sales, Issuances, and Settlements	Net Gain	Balance as of May 25, 2014
Pension benefit plan assets:					
Equity	\$ 559.3	\$ —	\$ (59.0)	\$ 67.9	\$ 568.2
Real asset investments	430.4	—	(25.5)	198.0	602.9
Other investments	0.3	—	—	—	0.3
Fair value activity of level 3 pension plan assets	\$ 990.0	\$ —	\$ (84.5)	\$265.9	\$1,171.4
Postretirement benefit plan assets:					
Equity	\$ 20.2	\$ —	\$ (0.7)	\$ 1.6	\$ 21.1
Real asset investments	14.5	(4.2)	1.4	6.2	17.9
Fair value activity of level 3 postretirement benefit plan assets	\$ 34.7	\$ (4.2)	\$ 0.7	\$ 7.8	\$ 39.0

In Millions	Fiscal 2013				
	Balance as of May 27, 2012	Net Transfers Out	Net Purchases, Sales, Issuances, and Settlements	Net Gain	Balance as of May 26, 2013
Pension benefit plan assets:					
Equity	\$ 575.4	\$ (0.1)	\$ (61.0)	\$ 45.0	\$ 559.3
Real asset investments	361.2	—	48.3	20.9	430.4
Other investments	0.3	—	—	—	0.3
Fair value activity of level 3 pension plan assets	\$ 936.9	\$ (0.1)	\$ (12.7)	\$ 65.9	\$ 990.0
Postretirement benefit plan assets:					
Equity	\$ 22.0	\$ —	\$ (2.3)	\$ 0.5	\$ 20.2
Real asset investments	8.4	—	4.8	1.3	14.5
Fair value activity of level 3 postretirement benefit plan assets	\$ 30.4	\$ —	\$ 2.5	\$ 1.8	\$ 34.7

The net change in level 3 assets attributable to unrealized gains at May 25, 2014, was \$85.3 million for our pension plan assets, and \$2.6 million for our postretirement benefit 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:

	Defined Benefit Pension Plans		Other Postretirement Benefit Plans	
	Fiscal Year		Fiscal Year	
	2014	2013	2014	2013
Asset category:				
United States equities	25.5%	29.5%	38.4%	39.4%
International equities	13.9	17.3	24.0	21.6
Private equities	10.3	11.2	4.1	4.7
Fixed income	35.5	27.5	26.3	28.9
Real assets	14.8	14.5	7.2	5.4
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 plan and other postretirement benefit plan 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 plans, the long-term investment policy allocation is: 25 percent to equities in the United States; 15 percent to international equities; 10 percent to private equities; 35 percent to fixed income; and 15 percent to real assets (real estate, energy, and timber). For 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 be required to make contributions to our defined benefit pension, other postretirement benefit, and postemployment benefit plans in fiscal 2015. Actual fiscal 2015 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 2015 to 2024 as follows:

In Millions	Defined Benefit Pension Plans	Other Postretirement Benefit Plans Gross Payments	Medicare Subsidy Receipts	Postemployment Benefit Plans
2015	\$ 244.6	\$ 60.3	\$ 4.7	\$ 21.0
2016	253.8	62.8	5.2	19.3
2017	263.4	63.7	5.5	17.9
2018	273.5	64.2	6.0	16.8
2019	284.3	66.5	6.4	16.0
2020-2024	1,596.6	359.6	25.5	70.5

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 \$20.6 million as of May 25, 2014, and \$19.4 million as of May 26, 2013. We also sponsor defined contribution plans in many of our foreign locations. Our total recognized expense related to defined contribution plans was \$44.8 million in fiscal 2014, \$46.0 million in fiscal 2013, and \$41.8 million in fiscal 2012.

We match a percentage of employee contributions to the General Mills Savings Plan. The Company match is directed to investment options of the participant's choosing. The number of shares of our common stock allocated to participants in the ESOP was 8.4 million as of May 25, 2014, and 9.1 million as of May 26, 2013. The ESOP's only assets are our common stock and temporary cash balances.

The Company stock fund and the ESOP held \$708.2 million and \$691.9 million of Company common stock as of May 25, 2014, and May 26, 2013.

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		
	2014	2013	2012
Earnings before income taxes and after-tax earnings from joint ventures:			
United States	\$2,181.4	\$2,051.2	\$1,816.5
Foreign	473.6	483.7	394.0
Total earnings before income taxes and after-tax earnings from joint ventures	\$2,655.0	\$2,534.9	\$2,210.5
Income taxes:			
Currently payable:			
Federal	\$ 526.7	\$ 493.4	\$ 399.1
State and local	37.8	39.5	52.0
Foreign	146.3	126.5	109.1
Total current	710.8	659.4	560.2
Deferred:			
Federal	159.1	68.8	167.9
State and local	21.3	19.2	(1.3)
Foreign	(7.9)	(6.2)	(17.2)
Total deferred	172.5	81.8	149.4
Total income taxes	\$ 883.3	\$ 741.2	\$ 709.6

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

	Fiscal Year		
	2014	2013	2012
United States statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal tax benefits	1.4	1.3	1.4
Foreign rate differences	(0.1)	(0.6)	(2.0)
Deferred taxes for Medicare subsidies	—	(1.3)	—
GMC subsidiary restructure	—	(2.5)	—
Domestic manufacturing deduction	(2.3)	(2.1)	(1.8)
Other, net	(0.7)	(0.6)	(0.5)
Effective income tax rate	33.3%	29.2%	32.1%

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

In Millions	May 25, 2014	May 26, 2013
Accrued liabilities	\$ 106.0	\$ 154.6
Compensation and employee benefits	546.0	619.2
Unrealized hedges	—	6.9
Pension	—	112.5
Tax credit carryforwards	78.9	78.0
Stock, partnership, and miscellaneous investments	427.9	461.1
Capital losses	13.0	13.6
Net operating losses	71.4	65.1
Other	117.7	138.8
Gross deferred tax assets	1,360.9	1,649.8
Valuation allowance	221.6	232.8
Net deferred tax assets	1,139.3	1,417.0
Brands	1,373.4	1,380.4
Fixed assets	499.4	537.4
Pension	2.0	—
Intangible assets	204.2	168.3
Tax lease transactions	53.1	55.1
Inventories	60.6	52.0
Stock, partnership, and miscellaneous investments	470.7	456.7
Unrealized hedges	22.8	—
Other	45.0	28.2
Gross deferred tax liabilities	2,731.2	2,678.1
Net deferred tax liability	\$1,591.9	\$1,261.1

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 carryforward period to allow us to realize these deferred tax benefits.

Of the total valuation allowance of \$221.6 million, \$161.2 million relates to a deferred tax asset for losses recorded as part of the Pillsbury acquisition and \$57.2 million relates to various state and foreign loss carryforwards. We have approximately \$74 million of U.S. foreign tax credit carryforwards for which no valuation allowance has been recorded. As of May 25, 2014, 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: \$42.4 million do not expire; \$7.9 million expire in fiscal 2015 and 2016; and \$25.2 million expire in fiscal 2017 and beyond.

We have not recognized a deferred tax liability for unremitted earnings of approximately \$2.8 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-neutral 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.

In fiscal 2010, we recorded a non-cash income tax charge and decrease to our deferred tax assets of \$35.0 million related to a reduction of the tax deductibility of retiree health cost to the extent of any Medicare Part D subsidy received beginning in fiscal 2013 under the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010. During fiscal 2013, we took certain actions to restore part of the tax benefits associated with Medicare Part D subsidies and recorded a \$33.7 million discrete decrease to income tax expense and an increase to our deferred tax assets.

During the first quarter of fiscal 2013, in conjunction with the consent of the Class A investor, we restructured GMC through the distribution of its manufacturing assets, stock, inventory, cash, and certain intellectual property to a wholly owned subsidiary. GMC retained the remaining intellectual property. Immediately following this restructuring, the Class A Interests were sold by the then current holder to another unrelated third party investor. As a result of these transactions, we recorded a \$63.3 million decrease to deferred income tax liabilities related to the tax basis of the investment in GMC and certain distributed assets, with a corresponding discrete non-cash reduction to income taxes in fiscal 2013.

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. 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.

The Internal Revenue Service (IRS) is currently auditing our federal tax returns for the fiscal 2011 and 2012 tax years. Several state examinations are also in progress.

During fiscal 2013, the IRS concluded its field examination of our 2009 and 2010 tax years and proposed adjustments related to the timing for deducting accrued bonus expenses. The audit closure and related proposed adjustments did not have a material impact on our results of operations or financial position. The accrued bonus issue is currently under review by the IRS Appeals Division. We expect to make a one-time cash payment of approximately \$6 million to settle this issue in fiscal 2015. As of May 25, 2014, we have effectively settled all issues with the IRS for fiscal years 2008 and prior.

During fiscal 2014, the Canadian Revenue Agency (CRA) completed its review of our Canadian income tax returns for fiscal years 2009 through 2011. Assessments related to a prior CRA audit for fiscal years 2004 and 2005 were resolved by the U.S. and Canadian competent authority divisions during fiscal 2014. As of May 25, 2014, all issues associated with fiscal years 2004 and 2005 and 2009 through 2011 have been resolved. The resolution did not have a material impact on our results of operations or financial position.

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 2014. Approximately \$87 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. 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	
	2014	2013
Balance, beginning of year	\$216.2	\$231.3
Tax positions related to current year:		
Additions	26.5	38.5
Tax positions related to prior years:		
Additions	15.1	69.6
Reductions	(94.5)	(74.0)
Settlements	(5.4)	(39.0)
Lapses in statutes of limitations	(7.0)	(10.2)
Balance, end of year	\$150.9	\$216.2

As of May 25, 2014, we expect to pay approximately \$20 million of unrecognized tax benefit liabilities and accrued interest 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 2014, we recognized a net benefit of \$4.6 million of tax-related net interest and penalties, and had \$42.0 million of accrued interest and penalties as of May 25, 2014. For fiscal 2013, we recognized a net benefit of \$3.0 million of tax-related net interest and penalties, and had \$53.1 million of accrued interest and penalties as of May 26, 2013.

NOTE 15. LEASES, OTHER COMMITMENTS, AND CONTINGENCIES

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

In Millions	Fiscal Year		
	2014	2013	2012
Warehouse space	\$ 80.2	\$ 82.8	\$ 72.6
Equipment	32.8	33.5	34.8
Other	76.0	71.6	68.1
Total rent expense	\$ 189.0	\$ 187.9	\$ 175.5

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
2015	\$ 93.9	\$ 1.5
2016	73.4	0.8
2017	56.8	0.2
2018	42.4	—
2019	33.7	—
After 2019	88.3	—
Total noncancelable future lease commitments	\$388.5	\$ 2.5
Less: interest		(0.1)
Present value of obligations under capital leases		\$ 2.4

These future lease commitments will be partially offset by estimated future sublease receipts of approximately \$6.0 million. Depreciation on capital leases is recorded as depreciation expense in our results of operations.

As of May 25, 2014, we have issued guarantees and comfort letters of \$340.6 million for the debt and other obligations of consolidated subsidiaries, and guarantees and comfort letters of \$283.8 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 \$388.5 million as of May 25, 2014.

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, 59.2 percent of our fiscal 2014 consolidated net sales; International, 30.1 percent of our fiscal 2014 consolidated net sales; and Convenience Stores and Foodservice, 10.7 percent of our fiscal 2014 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 product categories in this business segment include ready-to-eat cereals, refrigerated yogurt, soup, meal kits, 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 granola bars, cereal, and soup.

Our International segment consists of retail and food-service businesses outside of the United States. Our product categories include ready-to-eat cereals, shelf stable and frozen vegetables, meal kits, refrigerated and frozen dough products, dessert and baking mixes, frozen pizza snacks, refrigerated yogurt, grain and fruit snacks, and super-premium ice cream and frozen desserts. We also sell super-premium ice cream and frozen desserts directly to consumers through owned retail shops. 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 and franchise fees are reported in the region or country where the end customer is located.

In the first quarter of fiscal 2014, we changed the name of our Bakeries and Foodservice operating segment to Convenience Stores and Foodservice. The businesses in this segment were unchanged. Our major product categories are ready-to-eat cereals, snacks, refrigerated 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 and restructuring, impairment, and other exit costs. Unallocated corporate items include corporate overhead expenses, variances to planned domestic employee benefits and incentives, 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.

Our operating segment results were as follows:

In Millions	Fiscal Year		
	2014	2013	2012
Net sales:			
U.S. Retail	\$ 10,604.9	\$ 10,614.9	\$ 10,480.2
International	5,385.9	5,200.2	4,194.3
Convenience Stores and Foodservice	1,918.8	1,959.0	1,983.4
Total	\$ 17,909.6	\$ 17,774.1	\$ 16,657.9
Operating profit:			
U.S. Retail	\$ 2,311.5	\$ 2,392.9	\$ 2,295.3
International	472.9	490.2	429.6
Convenience Stores and Foodservice	307.3	314.6	286.7
Total segment operating profit	3,091.7	3,197.7	3,011.6
Unallocated corporate items	196.2	326.1	347.6
Divestiture (gain)	(65.5)	—	—
Restructuring, impairment, and other exit costs	3.6	19.8	101.6
Operating profit	\$ 2,957.4	\$ 2,851.8	\$ 2,562.4

Net sales by class of similar products were as follows:

In Millions	Fiscal Year		
	2014	2013	2012
Net sales:			
Snacks	\$ 3,232.5	\$ 3,024.0	\$ 2,649.6
Yogurt	2,964.7	2,908.4	2,595.7
Cereal	2,860.1	2,889.2	2,935.2
Convenient meals	2,844.2	2,802.9	2,611.8
Baking mixes and ingredients	1,996.4	1,999.5	1,902.9
Dough	1,890.2	1,944.7	1,925.5
Vegetables	1,014.7	1,089.5	1,082.5
Super-premium ice cream	756.6	717.1	664.6
Other	350.2	398.8	290.1
Total	\$ 17,909.6	\$ 17,774.1	\$ 16,657.9

The following table provides financial information by geographic area:

In Millions	Fiscal Year		
	2014	2013	2012
Net sales:			
United States	\$12,523.0	\$12,573.1	\$12,462.1
Non-United States	5,386.6	5,201.0	4,195.8
Total	\$17,909.6	\$17,774.1	\$16,657.9

In Millions	May 25, 2014	May 26, 2013
Cash and cash equivalents:		
United States	\$ 27.2	\$ 26.9
Non-United States	840.1	714.5
Total	\$ 867.3	\$741.4

In Millions	May 25, 2014	May 26, 2013
Land, buildings, and equipment:		
United States	\$ 2,756.6	\$2,752.7
Non-United States	1,185.3	1,125.4
Total	\$ 3,941.9	\$3,878.1

NOTE 17. SUPPLEMENTAL INFORMATION

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

In Millions	May 25, 2014	May 26, 2013
Receivables:		
From customers	\$ 1,504.6	\$1,466.3
Less allowance for doubtful accounts	(21.0)	(19.9)
Total	\$ 1,483.6	\$1,446.4

In Millions	May 25, 2014	May 26, 2013
Inventories:		
Raw materials and packaging	\$ 419.0	\$ 403.0
Finished goods	1,260.2	1,228.7
Grain	97.1	135.6
Excess of FIFO over LIFO cost ^(a)	(216.9)	(221.8)
Total	\$ 1,559.4	\$1,545.5

(a) Inventories of \$904.2 million as of May 25, 2014, and \$897.8 million as of May 26, 2013, were valued at LIFO.

In Millions	May 25, 2014	May 26, 2013
Prepaid expenses and other current assets:		
Other receivables	\$ 153.9	\$ 193.1
Prepaid expenses	187.2	168.6
Derivative receivables, primarily commodity-related	33.3	47.6
Grain contracts	7.5	7.5
Miscellaneous	27.2	20.8
Total	\$ 409.1	\$ 437.6

In Millions	May 25, 2014	May 26, 2013
Land, buildings, and equipment:		
Land	\$ 106.9	\$ 101.2
Buildings	2,228.4	2,168.3
Buildings under capital lease	0.3	0.3
Equipment	5,979.7	5,731.1
Equipment under capital lease	9.0	9.0
Capitalized software	468.0	427.9
Construction in progress	600.8	495.1
Total land, buildings, and equipment	9,393.1	8,932.9
Less accumulated depreciation	(5,451.2)	(5,054.8)
Total	\$3,941.9	\$3,878.1

In Millions	May 25, 2014	May 26, 2013
Other assets:		
Investments in and advances to joint ventures	\$ 507.5	\$ 478.5
Pension assets	432.2	131.8
Exchangeable note with related party	68.2	88.8
Life insurance	25.8	24.4
Miscellaneous	111.8	120.2
Total	\$1,145.5	\$ 843.7

In Millions	May 25, 2014	May 26, 2013
Other current liabilities:		
Accrued trade and consumer promotions	\$ 578.2	\$ 635.3
Accrued payroll	390.1	417.3
Dividends payable	33.5	279.6
Accrued taxes	63.1	88.0
Accrued interest, including interest rate swaps	92.5	91.2
Grain contracts	4.8	30.0
Restructuring and other exit costs reserve	3.5	19.5
Derivative payable	23.1	4.1
Miscellaneous	261.1	262.7
Total	\$1,449.9	\$1,827.7

In Millions	May 25, 2014	May 26, 2013
Other noncurrent liabilities:		
Accrued compensation and benefits, including obligations for underfunded other postretirement benefit and postemployment benefit plans	\$1,341.9	\$1,560.2
Accrued taxes	195.6	277.1
Miscellaneous	105.7	115.6
Total	\$1,643.2	\$1,952.9

Certain Consolidated Statements of Earnings amounts are as follows:

In Millions	Fiscal Year		
	2014	2013	2012
Depreciation and amortization	\$585.4	\$588.0	\$541.5
Research and development expense	243.6	237.9	245.4
Advertising and media expense (including production and communication costs)	869.5	895.0	913.7

The components of interest, net are as follows:

Expense (Income), in Millions	Fiscal Year		
	2014	2013	2012
Interest expense	\$323.4	\$333.8	\$370.7
Capitalized interest	(4.9)	(4.3)	(8.9)
Interest income	(16.1)	(12.6)	(9.9)
Interest, net	\$302.4	\$316.9	\$351.9

Certain Consolidated Statements of Cash Flows amounts are as follows:

In Millions	Fiscal Year		
	2014	2013	2012
Cash interest payments	\$288.3	\$293.0	\$344.3
Cash paid for income taxes	757.2	569.4	590.6

NOTE 18. QUARTERLY DATA (UNAUDITED)

Summarized quarterly data for fiscal 2014 and fiscal 2013 follows:

In Millions, Except Per Share Amounts	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	Fiscal Year		Fiscal Year		Fiscal Year		Fiscal Year	
	2014	2013	2014	2013	2014	2013	2014	2013
Net sales	\$4,372.7	\$4,051.0	\$4,875.7	\$4,881.8	\$4,377.4	\$4,430.6	\$4,283.8	\$4,410.7
Gross margin	1,613.0	1,628.3	1,761.7	1,742.3	1,512.7	1,522.7	1,482.4	1,530.6
Net earnings attributable to General Mills	459.3	548.9	549.9	541.6	410.6	398.4	404.6	366.3
EPS:								
Basic	\$ 0.71	\$ 0.84	\$ 0.87	\$ 0.84	\$ 0.66	\$ 0.61	\$ 0.66	\$ 0.57
Diluted	\$ 0.70	\$ 0.82	\$ 0.84	\$ 0.82	\$ 0.64	\$ 0.60	\$ 0.65	\$ 0.55
Dividends per share	\$ 0.38	\$ 0.33	\$ 0.38	\$ 0.33	\$ 0.38	\$ 0.33	\$ 0.41	\$ 0.33
Market price of common stock:								
High	\$ 52.73	\$ 39.13	\$ 51.53	\$ 40.77	\$ 51.50	\$ 45.67	\$ 54.40	\$ 50.93
Low	\$ 47.08	\$ 37.55	\$ 47.41	\$ 38.89	\$ 46.86	\$ 40.06	\$ 49.66	\$ 45.42

During the fourth quarter of fiscal 2014, we sold certain grain elevators in our U.S. Retail segment and recorded a pre-tax gain of \$65.5 million and recorded a \$10.0 million insurance receivable for a fraud-related asset loss incurred in the second quarter of fiscal 2014.

Glossary

AOCI. Accumulated other comprehensive income (loss).

Average total capital. Notes payable, long-term debt including current portion, redeemable interest, noncontrolling interests, and stockholders' equity excluding AOCI, and certain after-tax earnings adjustments are used to calculate return on average total capital. 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.

Constant currency. Financial results translated to U.S. dollars using constant foreign currency exchange rates based on the rates in effect for the comparable prior-year period. To present this information, current period results for entities reporting in currencies other than United States dollars are translated into United States 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 rate between the current fiscal period and the corresponding period of the prior fiscal year.

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.

Euribor. European Interbank Offered Rate.

Fair value hierarchy. For purposes of fair value measurement, 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.

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 plus the fair value of any noncontrolling and redeemable interests and the related fair values of net assets acquired.

Gross margin. Net sales less cost of sales.

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.

New businesses. Our consolidated results for fiscal 2014 include one additional quarter of operating activity from the acquisitions of Yoki Alimentos S.A. in Brazil (second quarter of fiscal 2013) and the assumption of the Canadian Yoplait franchise license (second quarter of 2013). Our consolidated results for 2014 also include three additional quarters of operating activity from the acquisition of Immaculate Baking Company in the United States (third quarter of fiscal 2013). Our consolidated results for fiscal 2013 include operating activity from the acquisitions of Yoki Alimentos, Yoplait Ireland (first quarter of fiscal 2013), Food Should Taste Good in the United States (fourth quarter of fiscal 2012), Parampara Foods in India (first quarter of fiscal 2013), Immaculate Baking Company, and the assumption of the Canadian Yoplait franchise license. Also included in the first quarter of fiscal 2013 are two additional months of results from the acquisition of Yoplait S.A.S. (first quarter of fiscal 2012). Collectively, these items are referred to as “new businesses” in comparing our fiscal 2014 results to fiscal 2013 and fiscal 2013 results to fiscal 2012.

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 the current portion.

Redeemable interest. Interest of subsidiaries held by a third party that can be redeemed outside of our control and therefore cannot be classified as a noncontrolling interest in equity.

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 costs for ingredients and conversion, inventory management, logistics, and warehousing.

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. We 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 EXCLUDING THE IMPACT OF VENEZUELA CURRENCY DEVALUATION

In Millions	Fiscal Year				
	2014	2013	2012	2011	2010
Operating profit:					
U.S. Retail	\$ 2,311.5	\$ 2,392.9	\$ 2,295.3	\$ 2,348.0	\$ 2,385.1
International, excluding Venezuela currency devaluation	535.1	515.4	429.6	291.4	206.1
Convenience Stores and Foodservice	307.3	314.6	286.7	306.3	263.3
Total segment operating profit excluding					
Venezuela currency devaluation	3,153.9	3,222.9	3,011.6	2,945.7	2,854.5
Unallocated corporate items	196.2	326.1	347.6	184.1	202.9
Divestiture (gain)	(65.5)	—	—	(17.4)	—
Restructuring, impairment, and other exit costs	3.6	19.8	101.6	4.4	31.4
Venezuela currency devaluation	62.2	25.2	—	—	14.0
Operating profit	\$ 2,957.4	\$ 2,851.8	\$ 2,562.4	\$ 2,774.6	\$ 2,606.2

INTERNATIONAL SEGMENT OPERATING PROFIT EXCLUDING THE IMPACT OF VENEZUELA CURRENCY DEVALUATION

In Millions	Fiscal Year				
	2014	2013	2012	2011	2010
International segment operating profit	\$ 472.9	\$ 490.2	\$ 429.6	\$ 291.4	\$ 192.1
Impact of Venezuela currency devaluation	62.2	25.2	—	—	14.0
International segment operating profit					
excluding Venezuela currency devaluation	\$ 535.1	\$ 515.4	\$ 429.6	\$ 291.4	\$ 206.1

DILUTED EPS EXCLUDING CERTAIN ITEMS AFFECTING COMPARABILITY

Per Share Data	Fiscal Year				
	2014	2013	2012	2011	2010
Diluted earnings per share, as reported	\$2.83	\$2.79	\$2.35	\$2.70	\$2.24
Mark-to-market effects ^(a)	(0.05)	—	0.10	(0.09)	0.01
Divestiture gain, net ^(b)	(0.06)	—	—	—	—
Tax items ^(c)	—	(0.13)	—	(0.13)	0.05
Acquisition integration costs ^(d)	—	0.01	0.01	—	—
Venezuela currency devaluation ^(e)	0.09	0.03	—	—	0.01
Restructuring costs ^(f)	0.01	0.02	0.10	—	—
Diluted earnings per share, excluding certain items affecting comparability	\$2.82	\$2.72	\$2.56	\$2.48	\$2.31

(a) See Note 7 to the Consolidated Financial Statements on page 55 of this report.

(b) See Note 3 to the Consolidated Financial Statements on page 51 of this report.

(c) The fiscal 2013 tax items consist of a reduction to income taxes related to the restructuring of our GMC subsidiary and an increase to income taxes related to the liquidation of a corporate investment. Additionally, fiscal 2013 and fiscal 2010 include changes in deferred taxes associated with the Medicare Part D subsidies related to the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010. The fiscal 2011 tax item represents the effects of court decisions and audit settlements on uncertain tax matters.

(d) Integration costs resulting from the acquisitions of Yoki in fiscal 2013 and Yoplait S.A.S. and Yoplait Marques S.A.S. in fiscal 2012.

(e) Impact of remeasuring the assets and liabilities of our Venezuelan subsidiary following currency devaluation in fiscal 2014, fiscal 2013, and fiscal 2010.

(f) See Note 4 to the Consolidated Financial Statements on page 52 of this report.

DEBT TO EBITDA RATIOS

In Millions	Fiscal 2014	In Millions	Fiscal 2002 ^(b)
Total debt ^(a)	\$8,786	Total debt ^(a)	\$9,439
Net earnings, including earnings attributable to redeemable and noncontrolling interests	1,861	Net earnings	458
After-tax earnings from joint ventures	90	Cumulative effect of change in accounting principle	(3)
Income taxes	883	Earnings before cumulative effect of change in accounting principle	461
Earnings before income taxes and after-tax earnings from joint ventures	2,655	Earnings from joint ventures	33
Interest, net	302	Income taxes	239
Operating profit	2,957	Earnings before taxes and earnings from joint ventures	667
Depreciation and amortization	585	Interest, net	416
EBITDA	\$3,543	Depreciation and amortization	296
Debt to EBITDA	2.5	EBITDA	\$1,379
		Debt to EBITDA	6.8

(a) Notes payable and long-term debt, including current portion.

Table does not foot due to rounding.

(a) Notes payable and long-term debt, including current portion.

(b) These numbers have not been restated for current classifications.

RETURN ON AVERAGE TOTAL CAPITAL

In Millions	Fiscal Year					
	2014	2013	2012	2011	2010	2009
Net earnings, including earnings attributable to redeemable and noncontrolling interests	\$ 1,861.3	\$ 1,892.5	\$ 1,589.1	\$ 1,803.5	\$ 1,535.0	
Interest, net, after-tax	190.9	201.2	238.9	243.5	261.1	
Earnings before interest, after-tax	2,052.2	2,093.7	1,828.0	2,047.0	1,796.1	
Mark-to-market effects	(30.5)	(2.8)	65.6	(60.0)	4.5	
Tax items	—	(85.4)	—	(88.9)	35.0	
Restructuring costs	3.6	15.9	64.3	—	—	
Acquisition integration costs	—	8.8	9.7	—	—	
Divestiture gain, net	(36.0)	—	—	—	—	
Venezuela currency devaluation	57.8	20.8	—	—	9.4	
Earnings before interest, after-tax for return on capital calculation	\$ 2,047.1	\$ 2,051.0	\$ 1,967.6	\$ 1,898.1	\$ 1,845.0	
Current portion of long-term debt	\$ 1,250.6	\$ 1,443.3	\$ 741.2	\$ 1,031.3	\$ 107.3	\$ 508.5
Notes payable	1,111.7	599.7	526.5	311.3	1,050.1	812.2
Long-term debt	6,423.5	5,926.1	6,161.9	5,542.5	5,268.5	5,754.8
Total debt	8,785.8	7,969.1	7,429.6	6,885.1	6,425.9	7,075.5
Redeemable interest	984.1	967.5	847.8	—	—	—
Noncontrolling interests	470.6	456.3	461.0	246.7	245.1	244.2
Stockholders' equity	6,534.8	6,672.2	6,421.7	6,365.5	5,402.9	5,172.3
Total capital	16,775.3	16,065.1	15,160.1	13,497.3	12,073.9	12,492.0
Accumulated other comprehensive loss	1,340.3	1,585.3	1,743.7	1,010.8	1,486.9	877.8
After-tax earnings adjustments ^(a)	(209.3)	(204.2)	(161.5)	(301.1)	(152.2)	(201.1)
Adjusted total capital	\$ 17,906.3	\$ 17,446.2	\$ 16,742.3	\$ 14,207.0	\$ 13,408.6	\$ 13,168.7
Adjusted average total capital	\$ 17,676.2	\$ 17,094.2	\$ 15,474.6	\$ 13,807.8	\$ 13,288.6	
Return on average total capital	11.6%	12.0%	12.7%	13.7%	13.9%	

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

NET SALES GROWTH RATES FOR OUR INTERNATIONAL SEGMENT EXCLUDING THE IMPACT OF CHANGES IN FOREIGN CURRENCY 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 2014		
	Percentage Change in Net Sales as Reported	Impact of Foreign Currency Exchange	Percentage Change in Net Sales on Constant Currency Basis
Europe	(1)%	3 pts	(4)%
Canada	(1)	(6)	5
Asia/Pacific	9	—	9
Latin America	16	(22)	38
Total International	4%	(4) pts	8 %

	Fiscal 2013		
	Percentage Change in Net Sales as Reported	Impact of Foreign Currency Exchange	Percentage Change in Net Sales on Constant Currency Basis
Europe	11%	(4) pts	15%
Canada	22	—	22
Asia/Pacific	11	—	11
Latin America	116	(23)	139
Total International	24%	(4) pts	28%

FISCAL 2014 CONSTANT-CURRENCY INTERNATIONAL SEGMENT OPERATING PROFIT GROWTH

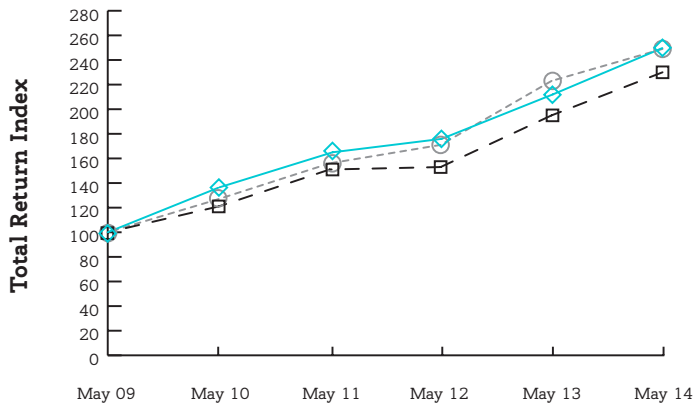
International segment operating profit growth	(4)%
Impact of Venezuela currency devaluation	8 pts
Impact of foreign currency exchange	6 pts
Constant-currency International segment operating profit growth	10%

Total Return to Stockholders

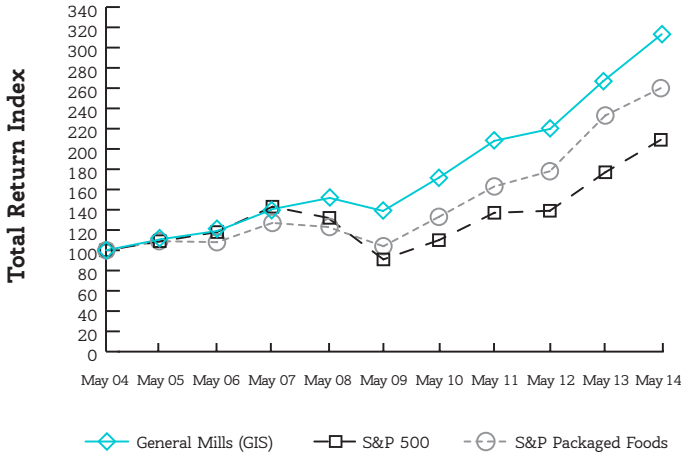
These line graphs compare the cumulative total return for holders of our common stock with the cumulative total return of the Standard & Poor's 500 Stock Index and Standard & Poor's 500 Packaged Foods Index for the last five-year and ten-year fiscal periods. The graphs assume the investment of \$100 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 June 30, 2014, there were approximately 33,000 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

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Minneapolis, MN 55426-1347
Phone: (763) 764-7600

Website

GeneralMills.com

Markets

New York Stock Exchange
Trading Symbol: GIS

Independent Auditor

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4200 Wells Fargo Center
90 South Seventh Street
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Investor Inquiries

General Shareholder Information:
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(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.
1110 Centre Pointe Curve
Mendota Heights, MN 55120-4100
Phone: (800) 670-4763 or
(651) 450-4084
shareowneronline.com

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 10 a.m., Central Daylight Time, **Tuesday**, Sept. 23, 2014, at the Children's Theatre Company, 2400 Third Avenue South, Minneapolis, MN 55404-3597. Proof of share ownership is required for admission. Please refer to the 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.

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 under the Company tab on GeneralMills.com.

U.S. SITES

Cheerios.com

Pillsbury.com

Yoplait.com

Larabar.com

BettyCrocker.com

Get recipes, cooking tips and view instruction videos.

BoxTops4Education.com

Sign up to support your school.

LiveBetterAmerica.com

Simple ways to maintain a healthy lifestyle.

QueRicaVida.com

Recipes and nutritional information for Hispanic consumers.

Tablespoon.com

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

Blog.GeneralMills.com

Get a unique perspective on recent news and stories about our brands and our company.

You also can visit us on LinkedIn or follow us on Twitter.



INTERNATIONAL SITES

HaagenDazs.com.cn (China)

Yoplait.fr (France)

NatureValley.co.uk (United Kingdom)

OldElPaso.com.au (Australia)

Yoki.com.br (Brazil)

LifeMadeDelicious.ca (Canada)

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

– Our Mission at General Mills Is Nourishing Lives –



We believe that doing well for our shareholders goes hand in hand with doing well for our consumers, our communities and our planet. Our efforts include providing convenient, nutritious food around the world, building strong communities through philanthropy and volunteerism, and developing sustainable business practices that reduce our environmental footprint.

For a comprehensive overview of our commitment to stand among the most socially responsible food companies in the world, see our Global Responsibility Report available online at GeneralMills.com/Responsibility.

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) 496-7809 or write, including your name, street address, city, state, zip code and phone number (including area code) to:

2014 General Mills Holiday Gift Box
Department 9756
P.O. Box 5014
Stacy, MN 55078-5014

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

**Please contact us after
October 1, 2014.**



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GENERAL MILLS

Number One General Mills Boulevard
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GeneralMills.com