

GENERAL MILLS INC
Form 10-K
July 06, 2015
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED May 31, 2015

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number: 001-01185

GENERAL MILLS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

41-0274440
(I.R.S. Employer
Identification No.)

Number One General Mills Boulevard
Minneapolis, Minnesota
(Address of principal executive offices)

55426
(Zip Code)

(763) 764-7600

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange

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Common Stock, \$.10 par value
on which registered
New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

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

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

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

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

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

Aggregate market value of Common Stock held by non-affiliates of the registrant, based on the closing price of \$51.85 per share as reported on the New York Stock Exchange on November 21, 2014 (the last business day of the registrant's most recently completed second fiscal quarter): \$30,938.3 million.

Number of shares of Common Stock outstanding as of June 12, 2015: 598,737,719 (excluding 155,875,609 shares held in the treasury).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its 2015 Annual Meeting of Stockholders are incorporated by reference into Part III.

Table of Contents

Table of Contents

	Page
<u>Part I</u>	
Item 1 <u>Business</u>	3
Item 1A <u>Risk Factors</u>	8
Item 1B <u>Unresolved Staff Comments</u>	13
Item 2 <u>Properties</u>	13
Item 3 <u>Legal Proceedings</u>	14
Item 4 <u>Mine Safety Disclosures</u>	14
<u>Part II</u>	
Item 5 <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	15
Item 6 <u>Selected Financial Data</u>	16
Item 7 <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
Item 7A <u>Quantitative and Qualitative Disclosures About Market Risk</u>	46
Item 8 <u>Financial Statements and Supplementary Data</u>	48
Item 9 <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	105
Item 9A <u>Controls and Procedures</u>	105
Item 9B <u>Other Information</u>	105
<u>Part III</u>	
Item 10 <u>Directors, Executive Officers and Corporate Governance</u>	106
Item 11 <u>Executive Compensation</u>	106
Item 12 <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	107
Item 13 <u>Certain Relationships and Related Transactions, and Director Independence</u>	107
Item 14 <u>Principal Accounting Fees and Services</u>	107
<u>Part IV</u>	
Item 15 <u>Exhibits, Financial Statement Schedules</u>	108

Signatures

112

2

Table of Contents

PART I

ITEM 1 Business

General Mills, Inc. was incorporated in Delaware in 1928. The terms General Mills, Company, registrant, we, us, and our mean General Mills, Inc. and all subsidiaries included in the Consolidated Financial Statements in Item 8 of this report unless the context indicates otherwise.

Certain terms used throughout this report are defined in a glossary in Item 8 of this report.

COMPANY OVERVIEW

We are a leading global manufacturer and marketer of branded consumer foods sold through retail stores. We also are a leading supplier of branded and unbranded food products to the North American foodservice and commercial baking industries. We manufacture our products in 16 countries and market them in more than 100 countries. In addition to our consolidated operations, we have 50 percent interests in two strategic joint ventures that manufacture and market food products sold in more than 130 countries worldwide.

We offer a variety of food products that provide great taste, nutrition, convenience and value for consumers around the world, with a focus on five large global categories:

ready-to-eat cereal;

convenient meals, including meal kits, ethnic meals, pizza, soup, side dish mixes, frozen breakfast, and frozen entrees;

snacks, including grain, fruit and savory snacks, nutrition bars, and frozen hot snacks;

yogurt; and

super-premium ice cream.

Other significant product categories include:

baking mixes and ingredients;

refrigerated and frozen dough; and

frozen and shelf-stable vegetables.

Our Cereal Partners Worldwide (CPW) joint venture with Nestlé S.A. (Nestlé) competes in the ready-to-eat cereal category in markets outside North America and our Häagen-Dazs Japan, Inc. (HDJ) joint venture competes in the super-premium ice cream category in Japan. For net sales contributed by each class of similar products, see Note 16 to the Consolidated Financial Statements in Item 8 of this report.

We manage and review the financial results of our business under three operating segments: U.S. Retail; International; and Convenience Stores and Foodservice. See Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) in Item 7 of this report for a description of our segments. For financial information by segment and geographic area, see Note 16 to the Consolidated Financial

Statements in Item 8 of this report.

Table of Contents

Customers. Our primary customers are grocery stores, mass merchandisers, membership stores, natural food chains, drug, dollar and discount chains, commercial and noncommercial foodservice distributors and operators, restaurants, and convenience stores. We generally sell to these customers through our direct sales force. We use broker and distribution arrangements for certain products or to serve certain types of customers. For further information on our customer credit and product return practices, please refer to Note 2 to the Consolidated Financial Statements in Item 8 of this report.

During fiscal 2015, 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 9 percent of our net sales in the Convenience Stores and Foodservice segment. As of May 31, 2015, Wal-Mart accounted for 29 percent of our U.S. Retail receivables, 6 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 54 percent of its fiscal 2015 net sales, the five largest customers in our International segment accounted for 24 percent of its fiscal 2015 net sales, and the five largest customers in our Convenience Stores and Foodservice segment accounted for 44 percent of its fiscal 2015 net sales.

Competition. The consumer foods industry is highly competitive, with numerous manufacturers of varying sizes in the United States and throughout the world. The food categories in which we participate also are very competitive. Our principal competitors in these categories all have substantial financial, marketing, and other resources. Competition in our product categories is based on product innovation, product quality, price, brand recognition and loyalty, effectiveness of marketing, promotional activity, and the ability to identify and satisfy consumer preferences. Our principal strategies for competing in each of our segments include unique consumer insights, effective customer relationships, superior product quality, innovative advertising, product promotion, product innovation aligned with consumers' needs, an efficient supply chain, and price. In most product categories, we compete not only with other widely advertised, branded products, but also with regional brands and with generic and private label products that are generally sold at lower prices. Internationally, we compete with both multi-national and local manufacturers, and each country includes a unique group of competitors.

Raw materials, ingredients, and packaging. The principal raw materials that we use are grains (wheat, oats, and corn), sugar, dairy products, vegetables, fruits, meats, vegetable oils, and other agricultural products. We also use substantial quantities of carton board, corrugated, plastic and metal packaging materials, operating supplies, and energy. Most of these inputs for our domestic and Canadian operations are purchased from suppliers in the United States. In our international operations, inputs that are not locally available in adequate supply may be imported from other countries. The cost of these inputs may fluctuate widely due to external conditions such as weather, product scarcity, limited sources of supply, commodity market fluctuations, currency fluctuations, and changes in governmental agricultural and energy policies and regulations. We have some long-term fixed price contracts, but the majority of our inputs are purchased on the open market. We believe that we will be able to obtain an adequate supply of needed inputs. Occasionally and where possible, we make advance purchases of items significant to our business in order to ensure continuity of operations. Our objective is to procure materials meeting both our quality standards and our production needs at price levels that allow a targeted profit margin. Since these inputs generally represent the largest variable cost in manufacturing our products, to the extent possible, we often manage the risk associated with adverse price movements for some inputs using a variety of risk management strategies. We also have a grain merchandising operation that provides us efficient access to, and more informed knowledge of, various commodity markets, principally wheat and oats. This operation holds physical inventories that are carried at fair market value and uses derivatives to manage its net inventory position and minimize its market exposures.

RESEARCH AND DEVELOPMENT

Our research and development resources are focused on new product development, product improvement, process design and improvement, packaging, and exploratory research in new business and technology areas. Research and development expenditures were \$229 million in fiscal 2015, \$244 million in fiscal 2014, and \$238 million in fiscal 2013.

Table of Contents

TRADEMARKS AND PATENTS

Our products are marketed under a variety of valuable trademarks. Some of the more important trademarks used in our global operations (set forth in italics in this report) include *Annie's*, *Betty Crocker*, *Bisquick*, *Bugles*, *Cascadian Farm*, *Cheerios*, *Chex*, *Cinnamon Toast Crunch*, *Cocoa Puffs*, *Cookie Crisp*, *Fiber One*, *Food Should Taste Good*, *Fruit by the Foot*, *Fruit Gushers*, *Fruit Roll-Ups*, *Gardetto's*, *Go-Gurt*, *Gold Medal*, *Golden Grahams*, *Green Giant*, *Häagen-Dazs*, *Helpers*, *Jeno's*, *Jus-Rol*, *Kitano*, *Kix*, *La Salteña*, *Lärabar*, *Latina*, *Liberté*, *Lucky Charms*, *Muir Glen*, *Nature Valley*, *Oatmeal Crisp*, *Old El Paso*, *Pillsbury*, *Progresso*, *Raisin Nut Bran*, *Total*, *Totino's*, *Trix*, *Wanchai Ferry*, *Wheaties*, *Yoki*, and *Yoplait*. We protect these marks as appropriate through registrations in the United States and other jurisdictions. Depending on the jurisdiction, trademarks are generally valid as long as they are in use or their registrations are properly maintained and they have not been found to have become generic. Registrations of trademarks can also generally be renewed indefinitely as long as the trademarks are in use.

Some of our products are marketed under or in combination with trademarks that have been licensed from others, including *Reese's Puffs* for cereal, *Hershey's* for a variety of products, *Weight Watchers* as an endorsement for yogurt and soup, and *Cinnabon* for refrigerated dough, frozen pastries, and baking products. Our fruit snacks business uses a variety of licensed trademarks, including *Mott's*, *Minions*, *Sunkist*, *Scooby Doo*, *Batman*, *Tom and Jerry*, *Hello Kitty*, *Thomas the Tank Engine*, and various Warner Bros. and Nickelodeon characters. Our yogurt business uses a variety of licensed trademarks, including various Disney, Marvel, Warner Bros., and Nickelodeon characters.

Our cereal trademarks are licensed to CPW and may be used in association with the *Nestlé* trademark. Nestlé licenses certain of its trademarks to CPW, including the *Nestlé* and *Uncle Toby's* trademarks. The *Häagen-Dazs* trademark is licensed royalty-free exclusively to Nestlé for ice cream and other frozen dessert products in the United States and Canada. The *Häagen-Dazs* trademark is also licensed to HDJ. The J. M. Smucker Company holds an exclusive royalty-free license to use the *Pillsbury* brand and the *Pillsbury Doughboy* character in the dessert mix and baking mix categories in the United States and under limited circumstances in Canada and Mexico. The *Green Giant* trademark is licensed to a third party for use in connection with its sale of fresh produce in the United States and Europe.

The *Yoplait* trademark and other related trademarks are owned by Yoplait Marques SNC, an entity in which we own a 50 percent interest. These marks are licensed exclusively to Yoplait SAS, an entity in which we own a 51 percent interest. Yoplait SAS licenses these trademarks to its franchisees. The *Liberté* trademark and other related trademarks are owned by Liberté Marques Sàrl, an entity in which we own a 50 percent interest.

We continue our focus on developing and marketing innovative, proprietary products. We consider the collective rights under our various patents, which expire from time to time, a valuable asset, but we do not believe that our businesses are materially dependent upon any single patent or group of related patents.

SEASONALITY

In general, demand for our products is evenly balanced throughout the year. However, within our U.S. Retail segment demand for refrigerated dough, frozen baked goods, and baking products is stronger in the fourth calendar quarter. Demand for *Progresso* soup and *Green Giant* canned and frozen vegetables is higher during the fall and winter months. Internationally, demand for *Häagen-Dazs* ice cream is higher during the summer months and demand for baking mix and dough products increases during winter months. Due to the offsetting impact of these demand trends, as well as the different seasons in the northern and southern hemispheres, our International segment net sales are generally evenly balanced throughout the year.

BACKLOG

Orders are generally filled within a few days of receipt and are subject to cancellation at any time prior to shipment. The backlog of any unfilled orders as of May 31, 2015, was not material.

Table of Contents

WORKING CAPITAL

A description of our working capital is included in the Liquidity section of MD&A in Item 7 of this report. Our product return practices are described in Note 2 to the Consolidated Financial Statements in Item 8 of this report.

EMPLOYEES

As of May 31, 2015, we had approximately 42,000 full- and part-time employees.

FOOD QUALITY AND SAFETY REGULATION

The manufacture and sale of consumer food products is highly regulated. In the United States, our activities are subject to regulation by various federal government agencies, including the Food and Drug Administration, Department of Agriculture, Federal Trade Commission, Department of Commerce, and Environmental Protection Agency, as well as various state and local agencies. Our business is also regulated by similar agencies outside of the United States.

ENVIRONMENTAL MATTERS

As of May 31, 2015, we were involved with two active cleanup sites associated with the alleged or threatened release of hazardous substances or wastes located in Minneapolis, Minnesota and Moonachie, New Jersey. These matters involve several different actions, including administrative proceedings commenced by regulatory agencies and demand letters by regulatory agencies and private parties.

Our operations are subject to the Clean Air Act, Clean Water Act, Resource Conservation and Recovery Act, Comprehensive Environmental Response, Compensation, and Liability Act, and the Federal Insecticide, Fungicide, and Rodenticide Act, and all similar state, local, and foreign environmental laws and regulations applicable to the jurisdictions in which we operate.

Based on current facts and circumstances, we believe that neither the results of our environmental proceedings nor our compliance in general with environmental laws or regulations will have a material adverse effect upon our capital expenditures, earnings, or competitive position.

EXECUTIVE OFFICERS

The section below provides information regarding our executive officers as of July 6, 2015:

Richard C. Allendorf, age 54, is Senior Vice President, General Counsel, and Secretary. Mr. Allendorf joined General Mills in 2001 from The Pillsbury Company. He was promoted to Vice President, Deputy General Counsel in 2010, first overseeing the legal affairs of the U.S. Retail segment and Consumer Food Sales and then, in August 2012, overseeing the legal affairs of the International segment and Global Ethics and Compliance. He was named to his present position in February 2015. Prior to joining General Mills, he practiced law with the Shearman and Sterling and Mackall, Crouse and Moore law firms. He was in finance with General Electric prior to his legal career.

John R. Church, age 49, is Executive Vice President, Supply Chain. Mr. Church joined General Mills in 1988 as a Product Developer in the Big G cereals division and held various positions before becoming Vice President, Engineering in 2003. In 2005, his role was expanded to include development of the Company's strategy for the global sourcing of raw materials and manufacturing capabilities. He was named Vice President, Supply Chain Operations in 2007, Senior Vice President, Supply Chain in 2008, and to his present position in July 2013.

Peter C. Erickson, age 54, is Executive Vice President, Innovation, Technology and Quality. Mr. Erickson joined General Mills in 1994 as part of the Colombo yogurt acquisition. He has held various positions in Research & Development and became Vice President, Innovation, Technology and Quality in 2003 and Senior Vice President, Innovation, Technology and Quality in 2006. He was named to his present position in July 2013.

Table of Contents

Jeffrey L. Harmening, age 48, is Executive Vice President, Chief Operating Officer, U.S. Retail. Mr. Harmening joined General Mills in 1994 and served in various marketing roles in the Betty Crocker, Yoplait, and Big G cereal divisions. He was promoted to Marketing Director in 2000 and held leadership roles in Big G New Enterprises and Foodservice New Business. He was named Vice President, Marketing for CPW in 2003 and a Vice President of the Big G cereal division in 2007. In 2011, he was promoted to Senior Vice President for the Big G cereal division. Mr. Harmening was appointed Senior Vice President, Chief Executive Officer of CPW in 2012, and he was named to his present position in May 2014.

Donal L. Mulligan, age 54, is Executive Vice President, Chief Financial Officer. Mr. Mulligan joined General Mills in 2001 from The Pillsbury Company. He served as Vice President, Financial Operations for our International division until 2004, when he was named Vice President, Financial Operations for Operations and Technology. Mr. Mulligan was appointed Treasurer of General Mills in 2006, Senior Vice President, Financial Operations in 2007, and was elected to his present position in 2007. From 1987 to 1998, he held several international positions at PepsiCo, Inc. and YUM! Brands, Inc. Mr. Mulligan is a director of Tennant Company.

Kimberly A. Nelson, age 52, is Senior Vice President, External Relations, and President of the General Mills Foundation. Ms. Nelson joined General Mills in 1988 and has held marketing leadership roles in the Big G cereal, Snacks, and Meals divisions. She was elected Vice President, President, Snacks in 2004, Senior Vice President, President, Snacks in 2008, and Senior Vice President, External Relations in September 2010. She was named President of the General Mills Foundation in May 2011.

Shawn P. O Grady, age 51, is Senior Vice President, President, Sales & Channel Development. Mr. O Grady joined General Mills in 1990 and held several marketing roles in the Snacks, Meals and Big G cereal divisions. He was promoted to Vice President in 1998 and held marketing positions in the Betty Crocker and Pillsbury USA divisions. In 2004, he moved into Consumer Foods Sales, becoming Vice President, President, U.S. Retail Sales in 2007, and Senior Vice President, President, Consumer Foods Sales Division in 2010. He was promoted to his current position in June 2012.

Christopher D. O Leary, age 55, is Executive Vice President and Chief Operating Officer, International. Mr. O Leary joined General Mills in 1997 as Vice President, Corporate Growth. He was elected a Senior Vice President in 1999 and President of the Meals division in 2001. Mr. O Leary was named to his present position in 2006. Prior to joining General Mills, he spent 17 years at PepsiCo, Inc., last serving as President and Chief Executive Officer of the Hostess Frito-Lay business in Canada. Mr. O Leary is a director of Telephone and Data Systems, Inc. and Newell Rubbermaid, Inc.

Kendall J. Powell, age 61, is Chairman of the Board and Chief Executive Officer of General Mills. Mr. Powell joined General Mills in 1979 and served in a variety of positions before becoming a Vice President in 1990. He became President of the Yoplait division in 1996, President of the Big G cereal division in 1997, and Senior Vice President of General Mills in 1998. From 1999 to 2004, he served as Chief Executive Officer of CPW. He returned from CPW in 2004 and was elected Executive Vice President. Mr. Powell was elected President and Chief Operating Officer of General Mills with overall global operating responsibility for the Company in 2006, Chief Executive Officer in 2007, and Chairman of the Board in 2008. He is a director of Medtronic, Inc.

Jacqueline Williams-Roll, age 46, is Senior Vice President, Human Resources. Ms. Williams-Roll joined General Mills in 1995. She held human resources leadership roles in Supply Chain, Finance, Marketing and Organization Effectiveness, and she also worked a large part of her career on businesses outside of the United States. She was named Vice President, Human Resources, International in 2010, and then promoted to Senior Vice President, Human Resources Operations in September 2013. She was named to her present position in September 2014. Prior to joining General Mills, she held sales and management roles with Jenny Craig International.

Jerald A. Young, age 58, is Vice President, Controller. Mr. Young joined General Mills in 1992 and held several finance roles within the Pillsbury division before he was appointed Vice President of Finance for the Convenience Stores and Foodservice Division in 2000. Mr. Young was subsequently appointed Vice President Internal Audit in 2005 and Vice President, Supply Chain in 2008. He was named to his present position in August 2011.

Table of Contents

WEBSITE ACCESS

Our website is www.generalmills.com. We make available, free of charge in the Investors portion of this website, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (1934 Act) as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). Reports of beneficial ownership filed pursuant to Section 16(a) of the 1934 Act are also available on our website.

ITEM 1A Risk Factors

Our business is subject to various risks and uncertainties. Any of the risks described below could materially, adversely affect our business, financial condition, and results of operations.

The food categories in which we participate are very competitive, and if we are not able to compete effectively, our results of operations could be adversely affected.

The food categories in which we participate are very competitive. Our principal competitors in these categories all have substantial financial, marketing, and other resources. In most product categories, we compete not only with other widely advertised branded products, but also with regional brands and with generic and private label products that are generally sold at lower prices. Competition in our product categories is based on product innovation, product quality, price, brand recognition and loyalty, effectiveness of marketing, promotional activity, and the ability to identify and satisfy consumer preferences. If our large competitors were to seek an advantage through pricing or promotional changes, we could choose to do the same, which could adversely affect our margins and profitability. If we did not do the same, our revenues and market share could be adversely affected. Our market share and revenue growth could also be adversely impacted if we are not successful in introducing innovative products in response to changing consumer demands or by new product introductions of our competitors. If we are unable to build and sustain brand equity by offering recognizably superior product quality, we may be unable to maintain premium pricing over generic and private label products.

We may be unable to maintain our profit margins in the face of a consolidating retail environment.

There has been significant consolidation in the grocery industry, resulting in customers with increased purchasing power. In addition, large retail customers may seek to use their position to improve their profitability through improved efficiency, lower pricing, increased reliance on their own brand name products, increased emphasis on generic and other economy brands, and increased promotional programs. If we are unable to use our scale, marketing expertise, product innovation, knowledge of consumers' needs, and category leadership positions to respond to these demands, our profitability and volume growth could be negatively impacted. In addition, the loss of any large customer for an extended length of time could adversely affect our sales and profits. For more information on significant customers, please see Company Overview in Item 1 of this report.

Price changes for the commodities we depend on for raw materials, packaging, and energy may adversely affect our profitability.

The principal raw materials that we use are commodities that experience price volatility caused by external conditions such as weather, product scarcity, limited sources of supply, commodity market fluctuations, currency fluctuations, and changes in governmental agricultural and energy policies and regulations. Commodity price changes may result in unexpected increases in raw material, packaging, and energy costs. If we are unable to increase productivity to offset these increased costs or increase our prices, we may experience reduced margins and profitability. We do not fully hedge against changes in commodity prices, and the risk management procedures that we do use may not always work as we intend.

Table of Contents

Volatility in the market value of derivatives we use to manage exposures to fluctuations in commodity prices will cause volatility in our gross margins and net earnings.

We utilize derivatives to manage price risk for some of our principal ingredient and energy costs, including grains (oats, wheat, and corn), oils (principally soybean), dairy products, natural gas, and diesel fuel. Changes in the values of these derivatives are recorded in earnings currently, resulting in volatility in both gross margin and net earnings. These gains and losses are reported in cost of sales in our Consolidated Statements of Earnings and in unallocated corporate items in our segment operating results until we utilize the underlying input in our manufacturing process, at which time the gains and losses are reclassified to segment operating profit. We also record our grain inventories at fair value. We may experience volatile earnings as a result of these accounting treatments.

If we are not efficient in our production, our profitability could suffer as a result of the highly competitive environment in which we operate.

Our future success and earnings growth depend in part on our ability to be efficient in the production and manufacture of our products in highly competitive markets. Gaining additional efficiencies may become more difficult over time. Our failure to reduce costs through productivity gains or by eliminating redundant costs resulting from acquisitions or divestitures could adversely affect our profitability and weaken our competitive position. Many productivity initiatives involve complex reorganization of manufacturing facilities and production lines. Such manufacturing realignment may result in the interruption of production, which may negatively impact product volume and margins. We are currently pursuing several multi-year restructuring and cost savings initiatives designed to increase our efficiency and reduce expenses. If we are unable to execute those initiatives as planned, we may not realize all or any of the anticipated benefits, which could adversely affect our business and results of operations.

Disruption of our supply chain could adversely affect our business.

Our ability to make, move, and sell products is critical to our success. Damage or disruption to raw material supplies or our manufacturing or distribution capabilities due to weather, including any potential effects of climate change, natural disaster, fire, terrorism, cyber-attack, pandemic, strikes, import restrictions, or other factors could impair our ability to manufacture or sell our products. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, particularly when a product is sourced from a single supplier or location, could adversely affect our business and results of operations, as well as require additional resources to restore our supply chain.

Concerns with the safety and quality of food products could cause consumers to avoid certain food products or ingredients.

We could be adversely affected if consumers in our principal markets lose confidence in the safety and quality of certain food products or ingredients. Adverse publicity about these types of concerns, whether or not valid, may discourage consumers from buying our products or cause production and delivery disruptions.

If our food products become adulterated, misbranded, or mislabeled, we might need to recall those items and may experience product liability claims if consumers are injured.

We may need to recall some of our products if they become adulterated, misbranded, or mislabeled. A widespread product recall could result in significant losses due to the costs of a recall, the destruction of product inventory, and lost sales due to the unavailability of product for a period of time. We could also suffer losses from a significant product liability judgment against us. A significant product recall or product liability case could also result in adverse publicity, damage to our reputation, and a loss of consumer confidence in our food products, which could have an adverse effect on our business results and the value of our brands.

We may be unable to anticipate changes in consumer preferences and trends, which may result in decreased demand for our products.

Our success depends in part on our ability to anticipate the tastes and eating habits of consumers and to offer products that appeal to their preferences. Consumer preferences and category-level consumption may change from

Table of Contents

time to time and can be affected by a number of different trends and other factors. If we fail to anticipate, identify or react to these changes and trends, or to introduce new and improved products on a timely basis, we may experience reduced demand for our products, which would in turn cause our revenues and profitability to suffer. Similarly, demand for our products could be affected by consumer concerns regarding the health effects of ingredients such as sodium, trans fats, genetically modified organisms, sugar, processed wheat, or other product ingredients or attributes.

We may be unable to grow our market share or add products that are in faster growing and more profitable categories.

The food industry's growth potential is constrained by population growth. Our success depends in part on our ability to grow our business faster than populations are growing in the markets that we serve. One way to achieve that growth is to enhance our portfolio by adding innovative new products in faster growing and more profitable categories. Our future results will also depend on our ability to increase market share in our existing product categories. If we do not succeed in developing innovative products for new and existing categories, our growth may slow, which could adversely affect our profitability.

Economic downturns could limit consumer demand for our products.

The willingness of consumers to purchase our products depends in part on local economic conditions. In periods of economic uncertainty, consumers may purchase more generic, private label, and other economy brands and may forego certain purchases altogether. In those circumstances, we could experience a reduction in sales of higher margin products or a shift in our product mix to lower margin offerings. In addition, as a result of economic conditions or competitive actions, we may be unable to raise our prices sufficiently to protect margins. Consumers may also reduce the amount of food that they consume away from home at customers that purchase products from our Convenience Stores and Foodservice segment. Any of these events could have an adverse effect on our results of operations.

Our results may be negatively impacted if consumers do not maintain their favorable perception of our brands.

Maintaining and continually enhancing the value of our many iconic brands is critical to the success of our business. The value of our brands is based in large part on the degree to which consumers react and respond positively to these brands. Brand value could diminish significantly due to a number of factors, including consumer perception that we have acted in an irresponsible manner, adverse publicity about our products, our failure to maintain the quality of our products, the failure of our products to deliver consistently positive consumer experiences, concerns about food safety, or our products becoming unavailable to consumers. The growing use of social and digital media by consumers, us, and third parties increases the speed and extent that information or misinformation and opinions can be shared. Negative posts or comments about us, our brands, or our products on social or digital media could seriously damage our brands and reputation. If we do not maintain the favorable perception of our brands, our business results could be negatively impacted.

Our international operations are subject to political and economic risks.

In fiscal 2015, 29 percent of our consolidated net sales were generated outside of the United States. We are accordingly subject to a number of risks relating to doing business internationally, any of which could significantly harm our business. These risks include:

- political and economic instability;
- exchange controls and currency exchange rates;
- nationalization of operations;
- compliance with anti-corruption regulations;
- foreign tax treaties and policies; and
- restriction on the transfer of funds to and from foreign countries, including potentially negative tax consequences.

Table of Contents

Our financial performance on a U.S. dollar denominated basis is subject to fluctuations in currency exchange rates. These fluctuations could cause material variations in our results of operations. 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. From time to time, we enter into agreements that are intended to reduce the effects of our exposure to currency fluctuations, but these agreements may not be effective in significantly reducing our exposure.

New regulations or regulatory-based claims could adversely affect our business.

Our facilities and products are subject to many laws and regulations administered by the United States Department of Agriculture, the Federal Food and Drug Administration, the Occupational Safety and Health Administration, and other federal, state, local, and foreign governmental agencies relating to the production, packaging, storage, distribution, quality, and safety of food products and the health and safety of our employees. Our failure to comply with such laws and regulations could subject us to lawsuits, administrative penalties, and civil remedies, including fines, injunctions, and recalls of our products. We advertise our products and could be the target of claims relating to alleged false or deceptive advertising under federal, state, and foreign laws and regulations. We may also be subject to new laws or regulations restricting our right to advertise our products, including proposals to limit advertising to children. Changes in laws or regulations that impose additional regulatory requirements on us could increase our cost of doing business or restrict our actions, causing our results of operations to be adversely affected.

We are subject to various federal, state, local, and foreign environmental laws and regulations. Our failure to comply with environmental laws and regulations could subject us to lawsuits, administrative penalties, and civil remedies. We are currently party to a variety of environmental remediation obligations. Due to regulatory complexities, uncertainties inherent in litigation, and the risk of unidentified contaminants on current and former properties of ours, the potential exists for remediation, liability, indemnification, and compliance costs to differ from our estimates. We cannot guarantee that our costs in relation to these matters, or compliance with environmental laws in general, will not exceed our established liabilities or otherwise have an adverse effect on our business and results of operations.

We have a substantial amount of indebtedness, which could limit financing and other options and in some cases adversely affect our ability to pay dividends.

As of May 31, 2015, we had total debt, redeemable interests, and noncontrolling interests of \$10.4 billion. The agreements under which we have issued indebtedness do not prevent us from incurring additional unsecured indebtedness in the future. Our level of indebtedness may limit our:

ability to obtain additional financing for working capital, capital expenditures, or general corporate purposes, particularly if the ratings assigned to our debt securities by rating organizations were revised downward; and
flexibility to adjust to changing business and market conditions and may make us more vulnerable to a downturn in general economic conditions.

There are various financial covenants and other restrictions in our debt instruments and noncontrolling interests. If we fail to comply with any of these requirements, the related indebtedness (and other unrelated indebtedness) could become due and payable prior to its stated maturity and our ability to obtain additional or alternative financing may also be adversely affected.

Our ability to make scheduled payments on or to refinance our debt and other obligations will depend on our operating and financial performance, which in turn is subject to prevailing economic conditions and to financial, business, and other factors beyond our control.

Table of Contents

Global capital and credit market issues could negatively affect our liquidity, increase our costs of borrowing, and disrupt the operations of our suppliers and customers.

We depend on stable, liquid, and well-functioning capital and credit markets to fund our operations. Although we believe that our operating cash flows, financial assets, access to capital and credit markets, and revolving credit agreements will permit us to meet our financing needs for the foreseeable future, there can be no assurance that future volatility or disruption in the capital and credit markets will not impair our liquidity or increase our costs of borrowing. We also utilize interest rate derivatives to reduce the volatility of our financing costs. If we are not effective in hedging this volatility, we may experience an increase in our costs of borrowing. Our business could also be negatively impacted if our suppliers or customers experience disruptions resulting from tighter capital and credit markets or a slowdown in the general economy.

Volatility in the securities markets, interest rates, and other factors could substantially increase our defined benefit pension, other postretirement benefit, and postemployment benefit costs.

We sponsor a number of defined benefit plans for employees in the United States, Canada, and various foreign locations, including defined benefit pension, retiree health and welfare, severance, and other postemployment plans. Our major defined benefit pension plans are funded with trust assets invested in a globally diversified portfolio of securities and other investments. Changes in interest rates, mortality rates, health care costs, early retirement rates, investment returns, and the market value of plan assets can affect the funded status of our defined benefit plans and cause volatility in the net periodic benefit cost and future funding requirements of the plans. A significant increase in our obligations or future funding requirements could have a negative impact on our results of operations and cash flows from operations.

Our business operations could be disrupted if our information technology systems fail to perform adequately or are breached.

Information technology serves an important role in the efficient and effective operation of our business. We rely on information technology networks and systems, including the internet, to process, transmit, and store electronic information to manage a variety of business processes and to comply with regulatory, legal, and tax requirements. Our information technology systems and infrastructure are critical to effectively manage our key business processes including digital marketing, order entry and fulfillment, supply chain management, finance, administration, and other business processes. These technologies enable internal and external communication among our locations, employees, suppliers, customers, and others and include the receipt and storage of personal information about our employees and proprietary business information. Our information technology systems, some of which are dependent on services provided by third parties, may be vulnerable to damage, interruption, or shutdown due to any number of causes such as catastrophic events, natural disasters, fires, power outages, systems failures, telecommunications failures, security breaches, computer viruses, hackers, and other causes. Increased cyber-security threats pose a potential risk to the security and viability of our information technology systems, as well as the confidentiality, integrity, and availability of the data stored on those systems. The failure of our information technology systems to perform as we anticipate could disrupt our business and result in transaction errors, processing inefficiencies, data loss, and the loss of sales and customers. Any interruption of our information technology systems could have operational, reputational, legal, and financial impacts that may have a material adverse effect on our business.

A change in the assumptions regarding the future performance of our businesses or a different weighted-average cost of capital used to value our reporting units or our indefinite-lived intangible assets could negatively affect our consolidated results of operations and net worth.

As of May 31, 2015, we had \$13.1 billion of goodwill and indefinite-lived intangible assets. Goodwill for each of our reporting units is tested for impairment annually and whenever events or changes in circumstances indicate that impairment may have occurred. We compare the carrying value of the net assets of a reporting unit, including goodwill, to the fair value of the unit. If the fair value of the net assets of the reporting unit is less than the 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.

Table of Contents

While we currently believe that our goodwill is not impaired, different assumptions regarding the future performance of our businesses could result in significant impairment losses.

We evaluate the useful lives of our intangible assets, primarily intangible assets associated with the *Pillsbury*, *Totino's*, *Progresso*, *Green Giant*, *Yoplait*, *Old El Paso*, *Yoki*, *Häagen-Dazs*, and *Annie's* brands, to determine if they are finite or indefinite-lived. Reaching a determination on useful life requires significant judgments and assumptions regarding the future effects of obsolescence, demand, competition, other economic factors (such as the stability of the industry, known technological advances, legislative action that results in an uncertain or changing regulatory environment, and expected changes in distribution channels), the level of required maintenance expenditures, and the expected lives of other related groups of assets.

Our indefinite-lived intangible assets 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 including projected revenues from our long-range plan, assumed royalty rates which could be payable if we did not own the brands, and a discount rate. Our *Green Giant*, *Uncle Toby's*, and *Mountain High* brands have experienced declining business performance, and we will continue to monitor these businesses. For further information on goodwill and intangible assets, please refer to Note 6 to the Consolidated Financial Statements in Item 8 of this report.

Our failure to successfully integrate acquisitions into our existing operations could adversely affect our financial results.

From time to time, we evaluate potential acquisitions or joint ventures that would further our strategic objectives. Our success depends, in part, upon our ability to integrate acquired and existing operations. If we are unable to successfully integrate acquisitions, our financial results could suffer. Additional potential risks associated with acquisitions include additional debt leverage, the loss of key employees and customers of the acquired business, the assumption of unknown liabilities, the inherent risk associated with entering a geographic area or line of business in which we have no or limited prior experience, failure to achieve anticipated synergies, and the impairment of goodwill or other acquisition-related intangible assets.

ITEM 1B Unresolved Staff Comments

None.

ITEM 2 Properties

We own our principal executive offices and main research facilities, which are located in the Minneapolis, Minnesota metropolitan area. We operate numerous manufacturing facilities and maintain many sales and administrative offices, warehouses, and distribution centers around the world.

As of May 31, 2015, we operated 66 facilities for the production of a wide variety of food products. Of these facilities, 34 are located in the United States (1 of which is leased), 7 in the Asia/Pacific region (2 of which are leased), 5 in Canada (3 of which are leased), 11 in Europe/Australia (2 of which are leased), and 9 in Latin America and Mexico. The following is a list of the locations of our principal production facilities, which primarily support the segment noted:

U.S. Retail

Carson, California	Irapuato, Mexico	Albuquerque, New Mexico
Covington, Georgia	Reed City, Michigan	Buffalo, New York
Belvidere, Illinois	Fridley, Minnesota	Cincinnati, Ohio
West Chicago, Illinois	Hannibal, Missouri	Wellston, Ohio
Cedar Rapids, Iowa	Vineland, New Jersey	Murfreesboro, Tennessee
		Milwaukee, Wisconsin

Table of Contents

International

Mt. Waverly, Australia	Paranavai, Brazil	Arras, France
Rooty Hill, Australia	Pouso Alegre, Brazil	Labatut, France
Sao Bernardo do Campo, Brazil	St. Hyacinthe, Canada	Le Mans, France
Cambara, Brazil	Guangzhou, China	Moneteau, France
Marilia, Brazil	Sanhe, China	Vienne, France
Nova Prata, Brazil	Shanghai, China	San Adrian, Spain

Convenience Stores and Foodservice

Chanhasen, Minnesota	Joplin, Missouri	Martel, Ohio
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We operate numerous grain elevators in the United States in support of our domestic manufacturing activities. We also utilize approximately 12 million square feet of warehouse and distribution space, nearly all of which is leased, that primarily supports our U.S. Retail segment. We own and lease a number of dedicated sales and administrative offices around the world, totaling approximately 3 million square feet. We have additional warehouse, distribution, and office space in our plant locations.

As part of our Häagen-Dazs business in our International segment, we operate 481 (all leased) and franchise 334 branded ice cream parlors in various countries around the world, all outside of the United States and Canada.

ITEM 3 Legal Proceedings

We are the subject of various pending or threatened legal actions in the ordinary course of our business. All such matters are subject to many uncertainties and outcomes that are not predictable with assurance. In our opinion, there were no claims or litigation pending as of May 31, 2015, that were reasonably likely to have a material adverse effect on our consolidated financial position or results of operations. See the information contained under the section entitled "Environmental Matters" in Item 1 of this report for a discussion of environmental matters in which we are involved.

ITEM 4 Mine Safety Disclosures

None.

Table of Contents**PART II****ITEM 5 Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock is listed on the New York Stock Exchange under the symbol GIS. On June 19, 2015, there were approximately 32,000 record holders of our common stock. Information regarding the market prices for our common stock and dividend payments for the two most recent fiscal years is set forth in Note 18 to the Consolidated Financial Statements in Item 8 of this report.

The following table sets forth information with respect to shares of our common stock that we purchased during the fiscal quarter ended May 31, 2015:

Period	Total Number of Shares Purchased (a)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program (b)	Maximum Number of Shares that may yet be Purchased Under the Program (b)
February 23, 2015-				
March 29, 2015	1,930	\$ 53.79	1,930	86,487,672
March 30, 2015-				
April 26, 2015				86,487,672
April 27, 2015-				
May 31, 2015	144	55.70	144	86,487,528
Total	2,074	\$ 53.92	2,074	86,487,528

- (a) The total number of shares purchased includes shares of common stock withheld for the payment of withholding taxes upon the distribution of deferred option units.
- (b) On May 6, 2014, our Board of Directors approved an authorization for the repurchase of up to 100,000,000 shares of our common stock. Purchases 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 Board did not specify an expiration date for the authorization.

Table of Contents**ITEM 6 Selected Financial Data**

The following table sets forth selected financial data for each of the fiscal years in the five-year period ended May 31, 2015:

In Millions, Except Per Share Data, Percentages and Ratios	Fiscal Year				
	2015 (a)	2014	2013	2012	2011
Operating data:					
Net sales	\$ 17,630.3	\$ 17,909.6	\$ 17,774.1	\$ 16,657.9	\$ 14,880.2
Gross margin (b)	5,949.2	6,369.8	6,423.9	6,044.7	5,953.5
Selling, general, and administrative expenses	3,328.0	3,474.3	3,552.3	3,380.7	3,192.0
Total segment operating profit (c)	3,035.0	3,153.9	3,222.9	3,011.6	2,945.6
Net earnings attributable to General Mills	1,221.3	1,824.4	1,855.2	1,567.3	1,798.3
Advertising and media expense	823.1	869.5	895.0	913.7	843.7
Research and development expense	229.4	243.6	237.9	245.4	235.0
Average shares outstanding:					
Diluted	618.8	645.7	665.6	666.7	664.8
Earnings per share:					
Diluted	\$ 1.97	\$ 2.83	\$ 2.79	\$ 2.35	\$ 2.70
Diluted, excluding certain items affecting comparability (c)	\$ 2.86	\$ 2.82	\$ 2.72	\$ 2.56	\$ 2.48
Operating ratios:					
Gross margin as a percentage of net sales	33.7%	35.6%	36.1%	36.3%	40.0%
Selling, general, and administrative expenses as a percentage of net sales	18.9%	19.4%	20.0%	20.3%	21.5%
Total segment operating profit as a percentage of net sales (c)	17.2%	17.6%	18.1%	18.1%	19.8%
Effective income tax rate	33.3%	33.3%	29.2%	32.1%	29.7%
Return on average total capital (b) (c)	11.2%	11.6%	12.0%	12.7%	13.7%
Balance sheet data:					
Land, buildings, and equipment	\$ 3,783.3	\$ 3,941.9	\$ 3,878.1	\$ 3,652.7	\$ 3,345.9
Total assets	21,964.5	23,145.7	22,658.0	21,096.8	18,674.5
Long-term debt, excluding current portion	7,607.7	6,423.5	5,926.1	6,161.9	5,542.5
Total debt (b)	9,223.9	8,785.8	7,969.1	7,429.6	6,885.1
Cash flow data:					
Net cash provided by operating activities	\$ 2,542.8	\$ 2,541.0	\$ 2,926.0	\$ 2,407.2	\$ 1,531.1
Capital expenditures	712.4	663.5	613.9	675.9	648.8
Fixed charge coverage ratio (b)	5.54	8.04	7.62	6.26	7.03
Operating cash flow to debt ratio (b)	27.6%	28.9%	36.7%	32.4%	22.2%
Share data:					
Low stock price	\$ 48.86	\$ 46.86	\$ 37.55	\$ 34.95	\$ 33.57
High stock price	57.14	54.40	50.93	41.05	39.95
Closing stock price	56.15	53.81	48.98	39.08	39.29
Cash dividends per common share	1.67	1.55	1.32	1.22	1.12

(a) Fiscal 2015 was a 53-week year; all other fiscal years were 52 weeks.

(b) See Glossary in Item 8 of this report for definition.

(c) See Non-GAAP Measures in Item 7 of this report for our discussion of this measure not defined by generally accepted accounting principles.

Table of Contents

ITEM 7 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 core 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 long-term growth objectives are to consistently deliver:

low single-digit annual growth in net sales;

mid single-digit annual growth in total segment operating profit;

high single-digit annual growth in 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 dividends and share repurchases.

Our fiscal 2015 performance was mixed. Our two smaller operating segments delivered growth. Operating profit for the Convenience Stores and Foodservice segment increased 15 percent to an all-time high of \$353 million. Operating results for the International segment were muted by a significant negative impact from foreign currency exchange and slowing economic growth in key emerging markets, but the segment achieved good margin expansion and profit growth in constant currency. Results for our U.S. Retail segment were disappointing, as both net sales and segment operating profit declined. Our brands achieved share gains in categories representing 65 percent of our products' sales in measured U.S. retail channels, but overall sales trends in many categories were weak, reflecting the impact of changing consumer food preferences.

Our consolidated net sales for the fiscal year ended May 31, 2015, declined 2 percent to \$17.6 billion, as unfavorable foreign exchange offset the benefits of a 53rd week and six months of incremental contribution from the Annie's Inc. (Annie's) natural and organic foods business acquired in October 2014. On a constant-currency basis, net sales increased 1 percent. Total segment operating profit of \$3.0 billion declined 4 percent and 2 percent in constant currency. Diluted EPS declined 30 percent to \$1.97 per share. Adjusted diluted EPS, which excludes certain items affecting comparability of results, rose 1 percent to \$2.86 per share and increased 4 percent on a constant-currency basis. These results were in line with our expectations which were revised in the second quarter of fiscal 2015. Our return on average total capital declined 40 basis points to 11.2 percent. (See the Non-GAAP Measures section below for discussion of total segment operating profit, adjusted diluted EPS, constant-currency net sales growth rates, constant-currency total segment operating profit growth rate, constant-currency adjusted diluted EPS growth rate, 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 2015. This cash generation supported capital investments totaling \$712 million in fiscal 2015. We also returned significant cash to stockholders through an 8 percent dividend increase, and share repurchases totaling \$1.2 billion.

We recorded the following achievements related to our other key operating objectives for fiscal 2015:

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Product improvements on established brands and new-product introductions designed to respond to evolving consumer food preferences generated good growth for a variety of our product lines. Examples included renewed sales growth for our U.S. Yogurt operating unit; strong sales contributions from protein-enriched

Table of Contents

cereal varieties; robust consumer demand across international markets for new Old El Paso Mexican food items; and double-digit growth for our U.S. portfolio of natural and organic food products.

The acquisition of Annie's in October 2014 significantly expanded our scale and participation in the attractive U.S. natural and organic food category. Combined net sales in the U.S. for our portfolio of natural and organic brands exceeded \$570 million in fiscal 2015.

We increased our share of U.S. cereal category measured dollar sales.

We increased our share of U.S. yogurt category measured dollar sales, including strong gains in the Greek yogurt segment, and renewed sales growth in the regular and child yogurt segments. Our international yogurt operations expanded to China with first production and order shipments to the Shanghai market commencing near the end of the fiscal year.

We generated strong levels of supply chain productivity savings in 2015 through our ongoing Holistic Margin Management (HMM) efforts. Beyond this program, we began several new cost savings initiatives during the fiscal year. Project Century is our effort to simplify our North American supply chain. Project Catalyst is focused on increasing the agility and effectiveness of our U.S. Retail and corporate organizations, and we are making changes to various corporate policies and practices to reduce overhead expense. Together, these three initiatives generated more than \$75 million in cost savings during fiscal 2015, and they are expected to produce a cumulative \$260 to \$280 million in savings in fiscal 2016.

We delivered strong cash returns to stockholders through dividends of \$1.67 per share and share repurchases totaling \$1.2 billion. Share repurchase activity in fiscal 2015 and 2014 reduced the average number of diluted shares outstanding in fiscal 2015 by 4 percent from fiscal 2014.

A detailed review of our fiscal 2015 performance appears below in the section titled "Fiscal 2015 Consolidated Results of Operations."

Our sales and earnings growth targets for fiscal 2016 reflect the impact of one less week compared to fiscal 2015. The Annie's business will contribute 6 months of incremental results. We expect foreign currency exchange will continue to have a negative impact on reported results for our international operations, and we expect the operating environment in our large developing markets (China and Brazil) to remain uncertain. We estimate our input cost inflation for fiscal 2016 at 2 percent. With these assumptions in mind:

We expect fiscal 2016 net sales to essentially match 2015 levels in constant currency, reflecting the impact of one less week of business.

We expect fiscal 2016 total segment operating profit to increase at a low-single-digit rate in constant currency, as HMM and our more recent cost-saving initiatives increase our efficiency and improve margins.

We expect fiscal 2016 adjusted diluted EPS to increase at a mid-single-digit rate in constant currency.

Our fiscal 2016 plans call for continued strong cash returns to stockholders. The current annualized dividend rate of \$1.76 per share is up 5 percent from the annual dividend paid in 2015. Share repurchases in fiscal 2016 are expected to result in a net reduction in average diluted shares outstanding of approximately 1 percent.

Certain terms used throughout this report are defined in a glossary in Item 8 of this report.

Table of Contents**FISCAL 2015 CONSOLIDATED RESULTS OF OPERATIONS**

Fiscal 2015 had 53 weeks compared to 52 weeks in fiscal 2014.

Fiscal 2015 net sales declined 2 percent to \$17,630 million and increased 1 percent on a constant-currency basis. In fiscal 2015, **net earnings attributable to General Mills** were \$1,221 million, down 33 percent from \$1,824 million in fiscal 2014, and we reported **diluted EPS** of \$1.97 in fiscal 2015, down 30 percent from \$2.83 in fiscal 2014. Fiscal 2015 results include restructuring-related charges, an indefinite-lived intangible asset impairment charge, tax impact of the repatriation of foreign earnings, losses from the mark-to-market valuation of certain commodity positions and grain inventories, integration costs resulting from the acquisition of Annie's, and the impact of Venezuela currency devaluation. Fiscal 2014 results include the impact of Venezuela currency devaluation, a gain on the divestiture of certain grain elevators, losses 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. Diluted EPS excluding these items affecting comparability totaled \$2.86 in fiscal 2015, up 1 percent from \$2.82 in fiscal 2014. Diluted EPS excluding certain items affecting comparability on a constant-currency basis increased 4 percent compared to fiscal 2014 (see the Non-GAAP Measures section below for a description of our use of these measures not defined by GAAP).

Net sales declined 2 percent to \$17,630 million in fiscal 2015 from \$17,910 in fiscal 2014. The components of net sales growth are shown in the following table:

	Fiscal 2015 vs. 2014
Contributions from volume growth (a)	(1) pt
Net price realization and mix	2 pts
Foreign currency exchange	(3) pts
Net sales growth	(2) pts

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

The 53rd week in fiscal 2015 contributed approximately 1 percentage point of net sales growth, reflecting 1 percentage point of growth from volume.

Cost of sales increased \$141 million in fiscal 2015 to \$11,681 million. In fiscal 2015, we recorded a \$90 million net increase in cost of sales related to mark-to-market valuation of certain commodity positions and grain inventories as described in Note 7 to the Consolidated Financial Statements in Item 8 of this report, compared to a net decrease of \$49 million in fiscal 2014. In fiscal 2015, we recorded \$60 million of restructuring charges in cost of sales. Product mix drove a \$17 million increase in cost of sales. We also recorded a \$3 million foreign exchange loss in fiscal 2015 related to Venezuela currency devaluation compared to a \$23 million loss in fiscal 2014. Lower volume drove a \$68 million decrease in cost of sales.

We also expect to incur approximately \$65 million of restructuring initiative project-related cash costs and recorded \$13 million of these costs in cost of sales in fiscal 2015 (please refer to Note 4 to the Consolidated Financial Statements in Item 8 of this report).

Gross margin declined 7 percent in fiscal 2015 versus fiscal 2014. Gross margin as a percent of net sales of 34 percent decreased 190 basis points compared to fiscal 2014.

Selling, general and administrative (SG&A) expenses decreased \$146 million in fiscal 2015 versus fiscal 2014 primarily due to a 5 percent decrease in advertising and media expense, and savings from Project Catalyst (please refer to Note 4 to the Consolidated Financial Statements in Item 8 of this report) and our other cost management initiatives. In fiscal 2015, we recorded a \$5 million charge related to Venezuela currency devaluation compared to a \$39 million charge in fiscal 2014. In addition, we recorded \$16 million of integration costs in fiscal 2015 related to our acquisition of Annie's. SG&A expenses as a percent of net sales decreased 50 basis points compared to fiscal 2014.

Table of Contents

Restructuring, impairment, and other exit costs totaled \$544 million in fiscal 2015 compared to \$4 million in fiscal 2014.

During the fourth quarter of fiscal 2015, we made a strategic decision to redirect certain resources supporting our Green Giant business in our U.S. Retail segment to other businesses within the segment. As a result, we recorded a \$260 million impairment charge in the fourth quarter of fiscal 2015 related to the *Green Giant* brand intangible asset.

Restructuring charges recorded in restructuring, impairment, and other exit costs were \$284 million in fiscal 2015 compared to \$4 million in fiscal 2014. Total charges associated with our restructuring initiatives recognized in fiscal 2015 and 2014 consisted of the following:

In Millions	As Reported				Future		Estimated Total		Savings (b)
	Fiscal 2015		Fiscal 2014		Charge	Cash	Charge	Cash	
	Charge	Cash	Charge	Cash					
Total Century (a)	\$ 181.8	\$ 12.0	\$	\$	\$ 111	\$ 109	\$ 293	\$ 121	
Catalyst	148.4	45.0				73	148	118	
International	13.9	6.5	1.0	6.0	1	8	15	14	
Other	(0.6)	0.1	2.6	16.4					
Total restructuring charges (a)	343.5	63.6	3.6	22.4	112	190	456	253	
Project-related costs recorded in costs of sales	13.2	9.7			52	55	65	65	
Restructuring charges and project-related costs	\$ 356.7	\$ 73.3	\$ 3.6	\$ 22.4	\$ 164	\$ 245	\$ 521	\$ 318	

Future cumulative annual savings \$ 350

(a) Includes \$59.6 million of restructuring charges recorded in cost of sales during fiscal 2015.

(b) Cumulative annual savings estimated by fiscal 2017. Includes savings from SG&A cost reduction projects.

Please refer to Note 4 to the Consolidated Financial Statements in Item 8 of this report for more information regarding our restructuring activities.

There were no divestitures in fiscal 2015. 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.

Interest, net for fiscal 2015 totaled \$315 million, \$13 million higher than fiscal 2014. Average interest bearing instruments increased \$1,370 million, generating a \$55 million increase in net interest. The average interest rate decreased 47 basis points, including the effect of the mix of debt, generating a \$42 million decrease in net interest.

Our consolidated **effective tax rate** for fiscal 2015 of 33.3 percent was consistent with fiscal 2014. The 4.5 percentage point impact resulting from the repatriation of \$606 million of foreign earnings in fiscal 2015 was offset by changes in earnings mix by country, certain favorable discrete items, and favorable state tax rate changes.

Table of Contents

After-tax earnings from joint ventures for fiscal 2015 decreased to \$84 million compared to \$90 million in fiscal 2014 primarily driven by unfavorable foreign currency exchange and an asset impairment charge of \$3 million at Cereal Partners Worldwide (CPW) in South Africa. The change in net sales for each joint venture is set forth in the following table:

	As Reported Fiscal 2015 vs. 2014	Constant-Currency Basis Fiscal 2015 vs. 2014
CPW	(10)%	(2)%
Häagen-Dazs Japan, Inc. (HDJ)	(4)	6
Joint Ventures	(9)%	(1)%

The components of our joint ventures' net sales growth are shown in the following table:

Fiscal 2015 vs. Fiscal 2014	CPW	HDJ
Contributions from volume growth	(1) pt	(5) pts
Net price realization and mix	(1) pt	11 pts
Foreign currency exchange	(8) pts	(10) pts
Net sales growth	(10) pts	(4) pts

Average diluted shares outstanding decreased by 27 million in fiscal 2015 from fiscal 2014 due to share repurchases.

FISCAL 2015 CONSOLIDATED BALANCE SHEET ANALYSIS

Cash and cash equivalents decreased \$533 million from fiscal 2014, as discussed in the Liquidity section below.

Receivables decreased \$97 million from fiscal 2014, primarily driven by timing of sales.

Inventories decreased \$19 million from fiscal 2014.

Prepaid expenses and other current assets increased \$15 million from fiscal 2014.

Land, buildings, and equipment decreased \$159 million from fiscal 2014, primarily driven by \$108 million related to restructuring activities.

Goodwill and other intangible assets decreased \$113 million from fiscal 2014, driven by foreign exchange and a \$260 million impairment charge related to an indefinite-lived intangible asset, partially offset by the \$858 million of intangible assets recorded in the acquisition of Annie's.

Other assets decreased \$302 million from fiscal 2014, largely driven by a decrease in the funded status of our defined benefit pension plans primarily due to the adoption of new mortality tables for the annual remeasurement of the obligations associated with these plans.

Accounts payable increased \$73 million from fiscal 2014, primarily driven by the extension of payment terms and the timing of payments.

Notes payable and long-term debt, including current portion, increased \$438 million from fiscal 2014, primarily driven by \$1,107 million of net long-term debt issuances, partially offset by net commercial paper payments.

The current and noncurrent portions of net **deferred income taxes liability** decreased \$142 million from fiscal 2014, primarily as a result of changes in the funded status of our defined benefit pension and postretirement plans.

Table of Contents

Other current liabilities increased \$140 million from fiscal 2014, primarily driven by the establishment of restructuring reserves related to the actions taken in fiscal 2015.

Other liabilities increased \$102 million from fiscal 2014, largely driven by an increase in our defined benefit pension and postretirement plans liabilities primarily due to the adoption of new mortality tables for the annual remeasurement of the obligations associated with these plans.

Redeemable interest decreased \$205 million from fiscal 2014, primarily driven by foreign exchange.

Retained earnings increased \$204 million from fiscal 2014, reflecting fiscal 2015 net earnings of \$1,221 million less dividends declared of \$1,018 million. **Treasury stock** increased \$836 million from fiscal 2014, driven by \$1,162 million of share repurchases, partially offset by \$326 million related to stock-based compensation plans. **Additional paid in capital** increased \$65 million from fiscal 2014, primarily driven by redeemable interest revaluation, partially offset by stock compensation activity. **AOCI** increased by \$970 million from fiscal 2014.

Noncontrolling interests decreased \$75 million from fiscal 2014, primarily driven by foreign exchange.

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 and 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 below for a description of our use of this measure not defined by GAAP).

Net sales grew 1 percent in fiscal 2014 to \$17,910 from \$17,774 in fiscal 2013. The components of net sales growth are shown in the following table:

	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 growth included 1 percentage point of growth from new businesses. Contributions from volume growth included 2 percentage points from new businesses.

Table of Contents

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 in Item 8 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 unchanged compared to fiscal 2013.

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.

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 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 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 CPW and unfavorable foreign currency exchange from HDJ. The change in net sales for each joint venture is set forth in the following table:

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

Table of Contents

The components of our joint ventures' net sales growth are shown in the following table:

Fiscal 2014 vs. Fiscal 2013	CPW	HDJ
Contributions from volume growth	Flat	11 pts
Net price realization and mix	Flat	(2) pts
Foreign currency exchange	(1) pt	(17) pts
Net sales growth	(1) pt	(8) pts

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.

RESULTS OF SEGMENT OPERATIONS

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

Beginning in the first quarter of fiscal 2015, we changed how we assess segment operating performance to exclude the asset and liability remeasurement impact from hyperinflationary economies. This impact is now included in unallocated corporate items. All periods presented have been changed to conform to this presentation.

The following tables provide the dollar amount and percentage of net sales and operating profit from each segment for fiscal years 2015, 2014, and 2013:

In Millions	2015		Fiscal Year 2014		2013	
	Dollars	Percent of Total	Dollars	Percent of Total	Dollars	Percent of Total
<u>Net Sales</u>						
U.S. Retail	\$ 10,507.0	60%	\$ 10,604.9	59%	\$ 10,614.9	60%
International	5,128.2	29	5,385.9	30	5,200.2	29
Convenience Stores and Foodservice	1,995.1	11	1,918.8	11	1,959.0	11
Total	\$ 17,630.3	100%	\$ 17,909.6	100%	\$ 17,774.1	100%
<u>Segment Operating Profit</u>						
U.S. Retail	\$ 2,159.3	71%	\$ 2,311.5	73%	\$ 2,392.9	74%
International	522.6	17	535.1	17	515.4	16
Convenience Stores and Foodservice	353.1	12	307.3	10	314.6	10
Total	\$ 3,035.0	100%	\$ 3,153.9	100%	\$ 3,222.9	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.

Table of Contents**U.S. RETAIL SEGMENT**

Beginning with the second quarter of fiscal 2015, we realigned certain operating units within our U.S. Retail operating segment. We also changed the name of our Yoplait operating unit to Yogurt and our Big G operating unit to Cereal. Frozen Foods transitioned into Meals and Baking Products. Small Planet Foods transitioned into Snacks, Cereal, and Meals. The Yogurt operating unit was unchanged. We revised the amounts previously reported in the net sales and net sales percentage change by operating unit within our U.S. Retail segment to conform to the new operating unit structure. These realignments had no effect on previously reported consolidated net sales, operating segments' net sales, operating profit, segment operating profit, net earnings attributable to General Mills, or EPS. In addition, results from the acquired Annie's business are included in the Meals and Snacks operating units.

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 are 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 meal kits, granola bars, and cereal.

In fiscal 2015, net sales for our U.S. Retail segment were \$10,507 million, down 1 percent compared to fiscal 2014. In fiscal 2014, net sales for this segment totaled \$10,605 million, flat compared to fiscal 2013. The components of U.S. Retail net sales growth are shown in the following table:

	Fiscal 2015	Fiscal 2014
	vs. 2014	vs. 2013
Contributions from volume growth (a)	(1)pt	Flat
Net price realization and mix	Flat	Flat
Net sales growth	(1)pt	Flat

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

The acquisition of Annie's added 1 percentage point of net sales growth, reflecting 1 percentage point of growth from volume in fiscal 2015. The 53rd week in fiscal 2015 contributed approximately 1 percentage point of net sales growth, reflecting 1 percentage point of growth from volume.

Net sales for our U.S. retail operating units are shown in the following table:

In Millions	Fiscal Year		
	2015	2014	2013
Meals	\$ 2,674.3	\$ 2,772.4	\$ 2,836.0
Cereal	2,330.1	2,410.2	2,407.8
Snacks	2,134.4	1,997.8	1,867.6
Baking Products	1,969.8	2,096.1	2,133.9
Yogurt and other	1,398.4	1,328.4	1,369.6
Total	\$ 10,507.0	\$ 10,604.9	\$ 10,614.9

Table of Contents

U.S. Retail net sales percentage change by operating unit are shown in the following table:

	Fiscal 2015	Fiscal 2014
	vs. 2014	vs. 2013
Meals	(4)%	(2)%
Cereal	(3)	Flat
Baking Products	(6)	(2)
Snacks	7	7
Yogurt	5	(3)
Total	(1)%	Flat

Segment operating profit of \$2,159 million in fiscal 2015 declined \$152 million, or 7 percent, from fiscal 2014. The decrease was primarily driven by lower volume and an increase in supply chain costs, partially offset by a 6 percent reduction in advertising and media expense.

Segment operating profit of \$2,312 million in fiscal 2014 declined \$81 million, or 3 percent, from fiscal 2013. The decrease reflected higher trade spending, partially offset by a 1 percent reduction in advertising and media expense.

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.

Net sales for our International segment were down 5 percent in fiscal 2015 compared to fiscal 2014, to \$5,128 million. Net sales totaled \$5,386 million in fiscal 2014, up 4 percent from \$5,200 million in fiscal 2013. The components of International net sales growth are shown in the following table:

	Fiscal 2015	Fiscal 2014
	vs. 2014	vs. 2013
Contributions from volume growth (a)	Flat	5 pts
Net price realization and mix	6 pts	3 pts
Foreign currency exchange	(11) pts	(4) pts
Net sales growth	(5) pts	4 pts

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

The 53rd week in fiscal 2015 contributed approximately 1 percentage point of net sales growth, reflecting 1 percentage point of growth from volume.

Table of Contents

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

In Millions	Fiscal Year		
	2015	2014	2013
Europe (a)	\$ 2,126.5	\$ 2,188.8	\$ 2,214.6
Canada	1,105.1	1,195.3	1,210.5
Asia/Pacific	1,023.5	981.8	899.1
Latin America	873.1	1,020.0	876.0
Total	\$ 5,128.2	\$ 5,385.9	\$ 5,200.2

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

International change in net sales by geographic region are shown in the following table:

	Percentage Change in Net Sales as Reported		Percentage Change in Net Sales on Constant Currency Basis (a)	
	Fiscal 2015 vs. 2014	Fiscal 2014 vs. 2013	Fiscal 2015 vs. 2014	Fiscal 2014 vs. 2013
	Europe	(3)%	(1)%	5 %
Canada	(8)	(1)	Flat	5
Asia/Pacific	4	9	5	9
Latin America	(14)	16	17	38
Total	(5)%	4 %	6 %	8 %

(a) See the Non-GAAP Measures section below for our use of this measure.

Segment operating profit for fiscal 2015 declined 2 percent to \$523 million from \$535 million in fiscal 2014, primarily driven by unfavorable foreign currency exchange and higher input costs, partially offset by favorable net price realization and mix. International segment operating profit increased 9 percent on a constant-currency basis in fiscal 2015 compared to fiscal 2014 (see the Non-GAAP Measures section below for our use of this measure).

Segment operating profit for fiscal 2014 grew 4 percent to \$535 million from \$515 million in fiscal 2013, primarily driven by volume growth, favorable net price realization and mix, and an additional quarter of results from the Yoki acquisition, partially offset by unfavorable foreign currency and higher input costs. In addition, we recorded a \$17 million non-recurring expense related to the assumption of the Canadian Yoplait franchise license in fiscal 2013. International segment operating profit increased 10 percent on a constant-currency basis in fiscal 2014 compared to fiscal 2013 (see the Non-GAAP Measures section below for our use of this measure).

CONVENIENCE STORES AND FOODSERVICE SEGMENT

In our Convenience Stores and Foodservice segment our major product categories are ready-to-eat cereals, snacks, refrigerated yogurt, frozen breakfasts, 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.

Table of Contents

For fiscal 2015, net sales for our Convenience Stores and Foodservice segment increased 4 percent to \$1,995 million. For fiscal 2014, net sales decreased 2 percent to \$1,919 million compared to \$1,959 million in fiscal 2013. The components of Convenience Stores and Foodservice net sales growth are shown in the following table:

	Fiscal 2015	Fiscal 2014
	vs. 2014	vs. 2013
Contributions from volume growth (a)	1pt	(1)pt
Net price realization and mix	3pts	(1)pt
Foreign currency exchange	NM	NM
Net sales growth	4pts	(2)pts

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

The 53rd week in fiscal 2015 contributed approximately 2 percentage points of net sales growth, reflecting 2 percentage points of growth from volume.

In fiscal 2015, segment operating profit was \$353 million, up 15 percent from \$307 million in fiscal 2014. The increase was primarily driven by favorable net price realization and mix and higher volume.

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.

UNALLOCATED CORPORATE ITEMS

Beginning in the first quarter of fiscal 2015, we changed how we assess segment operating performance to exclude the asset and liability remeasurement impact from hyperinflationary economies. This impact is now included in unallocated corporate items. All periods presented have been changed to conform to this presentation.

Unallocated corporate items include corporate overhead expenses, variances to planned domestic employee benefits and incentives, contributions to the General Mills Foundation, asset and liability remeasurement impact of hyperinflationary economies, restructuring initiative project-related costs, 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 7 to the Consolidated Financial Statements in Item 8 of this report.

For fiscal 2015, unallocated corporate expense totaled \$414 million compared to \$258 million last year. In fiscal 2015, we recorded a \$90 million net increase in expense related to mark-to-market valuation of certain commodity positions and grain inventories, compared to a \$49 million net decrease in expense in fiscal 2014. In addition, we recorded \$60 million of restructuring charges, and \$13 million of restructuring initiative project-related costs in cost of sales in fiscal 2015. We recorded an \$8 million foreign exchange loss related to the remeasurement of assets and liabilities of our Venezuelan subsidiary compared to \$62 million in fiscal 2014. We also recorded \$16 million of integration costs resulting from the acquisition of Annie's in fiscal 2015.

For fiscal 2014, unallocated corporate expense totaled \$258 million compared to \$351 million in fiscal 2013. 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 in the prior year. Compensation and benefit expenses decreased \$59 million and the contribution to the General Mills Foundation decreased in fiscal 2014 compared to fiscal 2013. We also recorded a \$62 million foreign exchange loss related to the remeasurement of assets and liabilities of our Venezuelan subsidiary in fiscal 2014 compared to \$25 million in fiscal 2013. In fiscal 2013, we also recorded \$12 million of integration costs related to the acquisition of Yoki.

Table of Contents

Venezuela is a highly inflationary economy, and 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 2014, the Venezuelan government established a new foreign exchange market mechanism (SICAD 2) and at that time indicated that it would be the market through which U.S. dollars would be obtained for the remittance of dividends. On February 12, 2015, the Venezuelan government replaced SICAD 2 with a new foreign exchange market mechanism (SIMADI). We expect to be able to access U.S. dollars through the SIMADI market. SIMADI has significantly higher foreign exchange rates than those available through the other foreign exchange mechanisms. In fiscal 2015, we recorded an \$8 million foreign exchange loss in unallocated corporate items resulting from the remeasurement of assets and liabilities of our Venezuelan subsidiary at the SIMADI rate of 199 bolivars per U.S. dollar. Our Venezuela operations represent less than 1 percent of our consolidated assets, liabilities, net sales, and segment operating profit. As of May 31, 2015, we had \$0.3 million of non-U.S. dollar cash balances in Venezuela.

IMPACT OF INFLATION

Our gross margin performance in fiscal 2015 reflects the impact of 2 percent input cost inflation, primarily on commodities inputs. We expect input cost inflation of 2 percent in fiscal 2016. We attempt to minimize the effects of inflation through HMM, planning, and operating practices. Our risk management practices are discussed in Item 7A of this report.

LIQUIDITY

The primary source of our liquidity is cash flow from operations. Over the most recent three-year period, our operations have generated \$8.0 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 31, 2015, we had \$311 million of cash and cash equivalents held in foreign jurisdictions which will be used to fund foreign operations and acquisitions. During the fourth quarter of fiscal 2015, we approved a one-time repatriation of \$606 million of foreign earnings. This action reduced the economic cost of funding current restructuring initiatives and the acquisition of Annie s completed in fiscal 2015. We recorded a discrete income tax charge of \$79 million in fiscal 2015 related to this action, and we expect to make approximately \$24 million in related cash income tax payments related to this action. We have previously asserted that our foreign earnings are permanently reinvested and will only be repatriated in a tax-neutral manner, and this one-time repatriation does not change this ongoing assertion.

Cash Flows from Operations

In Millions	Fiscal Year		
	2015	2014	2013
Net earnings, including earnings attributable to redeemable and noncontrolling interests	\$ 1,259.4	\$ 1,861.3	\$ 1,892.5
Depreciation and amortization	588.3	585.4	588.0
After-tax earnings from joint ventures	(84.3)	(89.6)	(98.8)
Distributions of earnings from joint ventures	72.6	90.5	115.7
Stock-based compensation	106.4	108.5	100.4
Deferred income taxes	25.3	172.5	81.8
Tax benefit on exercised options	(74.6)	(69.3)	(103.0)
Pension and other postretirement benefit plan contributions	(49.5)	(49.7)	(223.2)
Pension and other postretirement benefit plan costs	91.3	124.1	131.2
Divestiture (gain)		(65.5)	
Restructuring, impairment, and other exit costs	531.1	(18.8)	(60.2)
Changes in current assets and liabilities, excluding the effects of acquisitions	214.7	(32.2)	471.1
Other, net	(137.9)	(76.2)	30.5
Net cash provided by operating activities	\$ 2,542.8	\$ 2,541.0	\$ 2,926.0

Table of Contents

In fiscal 2015, our operations generated \$2.5 billion of cash, flat compared to fiscal 2014. The \$247 million change in current assets and liabilities was primarily driven by the timing of trade and promotion accruals, changes in tax accruals, and changes in derivative positions. This was largely offset by lower net earnings, which included a \$260 million non-cash impairment charge and \$271 million of non-cash restructuring charges, and a \$147 million change in net deferred income taxes.

We strive to grow core working capital at or below the rate of growth in our net sales. For fiscal 2015, core working capital decreased 13 percent, primarily due to a decrease in accounts receivable and an increase in accounts payable, compared to a net sales decline of 2 percent. In fiscal 2014, core working capital decreased 9 percent, compared to net sales growth of 1 percent, and in fiscal 2013, core working capital decreased 5 percent, compared to net sales growth of 7 percent.

In fiscal 2014, our operations generated \$2.5 billion of cash compared to \$2.9 billion in fiscal 2013. The \$385 million decrease was primarily due to a \$503 million change in current assets and liabilities. The change in current assets and liabilities was 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.

Cash Flows from Investing Activities

In Millions	Fiscal Year		
	2015	2014	2013
Purchases of land, buildings, and equipment	\$ (712.4)	\$ (663.5)	\$ (613.9)
Acquisitions, net of cash acquired	(822.3)		(898.0)
Investments in affiliates, net	(102.4)	(54.9)	(40.4)
Proceeds from disposal of land, buildings, and equipment	11.0	6.6	24.2
Proceeds from divestiture		121.6	
Exchangeable note	27.9	29.3	16.2
Other, net	(4.0)	(0.9)	(3.5)
Net cash used by investing activities	\$ (1,602.2)	\$ (561.8)	\$ (1,515.4)

In fiscal 2015, cash used by investing activities increased by \$1.0 billion from fiscal 2014. We invested \$712 million in land, buildings, and equipment in fiscal 2015, \$49 million more than the same period last year. In the second quarter of fiscal 2015, we acquired Annie's, a publicly traded food company headquartered in Berkeley, California, for an aggregate purchase price of \$809 million, net of \$12 million of cash acquired. We made \$102 million of investments in affiliates, primarily CPW, in fiscal 2015. In addition, we received \$28 million in payments from Sodial International (Sodial) in fiscal 2015 against the \$132 million exchangeable note we purchased in fiscal 2012.

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 in fiscal 2013. 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 \$124 million in cash, including a working capital adjustment finalized in the first quarter of fiscal 2015. In addition we received \$29 million in payments from Sodial in fiscal 2014 against the exchangeable note.

We expect capital expenditures to be approximately \$840 million in fiscal 2016. These expenditures will fund initiatives that are expected to fuel International growth, support innovative products, and continue HMM initiatives throughout the supply chain.

Table of Contents**Cash Flows from Financing Activities**

In Millions	Fiscal Year		
	2015	2014	2013
Change in notes payable	\$ (509.8)	\$ 572.9	\$ (44.5)
Issuance of long-term debt	2,253.2	1,673.0	1,001.1
Payment of long-term debt	(1,145.8)	(1,444.8)	(542.3)
Proceeds from common stock issued on exercised options	163.7	108.1	300.8
Tax benefit on exercised options	74.6	69.3	103.0
Purchases of common stock for treasury	(1,161.9)	(1,745.3)	(1,044.9)
Dividends paid	(1,017.7)	(983.3)	(867.6)
Addition of noncontrolling interest		17.6	
Distributions to noncontrolling and redeemable interest holders	(25.0)	(77.4)	(39.2)
Other, net	(16.1)	(14.2)	(6.6)
Net cash used by financing activities	\$ (1,384.8)	\$ (1,824.1)	\$ (1,140.2)

Net cash used by financing activities decreased by \$439 million in fiscal 2015. We had \$204 million less net debt issuances in fiscal 2015 than the same period a year ago. For more information on our debt issuances and payments, please refer to Note 8 to the Consolidated Financial Statements in Item 8 of this report.

During fiscal 2015, we received \$164 million in proceeds from common stock issued on exercised options compared to \$108 million in fiscal 2014, an increase of \$56 million. During fiscal 2013, we received \$301 million in proceeds from common stock issued on exercised options.

In May 2014, our Board of Directors authorized the repurchase of up to 100 million shares of our common stock. Purchases under the authorization can be made in the open market or in privately negotiated transactions, including the use of call options and other derivative instruments, Rule 10b5-1 trading plans, and accelerated repurchase programs. The authorization has no specified termination date.

During fiscal 2015, we repurchased 22 million shares of our common stock for \$1,162 million. During fiscal 2014, we repurchased 36 million shares of our common stock for \$1,745 million. During fiscal 2013, we repurchased 24 million shares of our common stock for \$1,015 million.

Dividends paid in fiscal 2015 totaled \$1,018 million, or \$1.67 per share, an 8 percent per share increase from fiscal 2014. Dividends paid in fiscal 2014 totaled \$983 million, or \$1.55 per share, a 17 percent per share increase from fiscal 2013 dividends of \$1.32 per share. On March 10, 2015, our Board of Directors approved a 5 percent dividend increase, effective with the May 1, 2015 payment, to an annualized rate of \$1.76 per share.

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		
	2015	2014	2013
Advances to joint ventures, net	\$ (102.4)	\$ (54.9)	\$ (36.7)
Dividends received	72.6	90.5	115.7

Table of Contents**CAPITAL RESOURCES**

Total capital consisted of the following:

In Millions	May 31, 2015	May 25, 2014
Notes payable	\$ 615.8	\$ 1,111.7
Current portion of long-term debt	1,000.4	1,250.6
Long-term debt	7,607.7	6,423.5
Total debt	9,223.9	8,785.8
Redeemable interest	778.9	984.1
Noncontrolling interests	396.0	470.6
Stockholders' equity	4,996.7	6,534.8
Total capital	\$ 15,395.5	\$ 16,775.3

The following table details the fee-paid committed and uncommitted credit lines we had available as of May 31, 2015:

In Billions	Facility Amount	Borrowed Amount
Credit facility expiring:		
April 2017	\$ 1.7	\$
May 2019	1.0	
June 2019	0.2	0.1
Total committed credit facilities	2.9	0.1
Uncommitted credit facilities	0.5	0.1
Total committed and uncommitted credit facilities	\$ 3.4	\$ 0.2

To ensure availability of funds, we maintain bank credit lines sufficient to cover our outstanding notes payable. 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 31, 2015, we were in compliance with all of these covenants.

We have \$1,000 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 31, 2015, our total debt, including the impact of derivative instruments designated as hedges, was 72 percent in fixed-rate and 28 percent in floating-rate instruments, compared to 71 percent in fixed-rate and 29 percent in floating-rate instruments on May 25, 2014.

Improvement in return on average total capital is one of our key performance measures (see the Non-GAAP Measures section below for our discussion of this measure, which is not defined by GAAP). Return on average total capital decreased 40 basis points from 11.6 percent in fiscal 2014 to 11.2 percent in fiscal 2015 as fiscal 2015 earnings declined. On a constant-currency basis, return on average total capital decreased 20 basis points. 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 2015 was 5.54 compared to 8.04 in fiscal 2014. The measure decreased from fiscal 2014 as earnings before income taxes and after-tax earnings from joint ventures decreased by \$893 million including a \$260 million non-cash pretax charge related to an indefinite-lived intangible

Table of Contents

asset impairment and a \$344 million pretax increase in restructuring charges in fiscal 2015. Our operating cash flow to debt ratio decreased 1.3 percentage points to 27.6 percent in fiscal 2015, driven by an increase in total debt.

We have a 51 percent controlling interest in Yoplait SAS and a 50 percent interest in Yoplait Marques SNC and Liberté Marques Sàrl. 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 SNC and Liberté Marques Sàrl as noncontrolling interests, and their 49 percent interest in Yoplait SAS 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 through a maximum term expiring December 2020. As of May 31, 2015, the redemption value of the redeemable interest was \$779 million which approximates its fair value.

The third-party holder of the General Mills Cereals, LLC (GMC) Class A Interests receives quarterly preferred distributions from available net income based on the application of a floating preferred return rate, to the holder's capital account balance established in the most recent mark-to-market valuation (currently \$252 million). For fiscal 2015, the floating preferred rate was equal to the sum of three-month LIBOR plus 110 basis points. The preferred return rate is adjusted every three years through a negotiated agreement with the Class A Interest holder or through a remarketing auction. On June 1, 2015, subsequent to our year-end, the floating preferred return rate on GMC's Class A Interests was reset to the sum of three-month LIBOR plus 125 basis points.

We have an 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 third-party holder'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 31, 2015, we have issued guarantees and comfort letters of \$434 million for the debt and other obligations of consolidated subsidiaries, and guarantees and comfort letters of \$258 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 \$400 million as of May 31, 2015.

As of May 31, 2015, 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 31, 2015.

Table of Contents

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	2016	2017 -18	2019 -20	2021 and Thereafter
Long-term debt (a)	\$ 8,615.4	\$ 1,000.0	\$ 1,707.5	\$ 1,650.0	\$4,257.9
Accrued interest	91.8	91.8			
Operating leases (b)	400.5	108.4	133.1	77.4	81.6
Capital leases	1.5	0.6	0.6	0.3	
Purchase obligations (c)	2,363.8	2,124.2	141.8	65.5	32.3
Total contractual obligations	11,473.0	3,325.0	1,983.0	1,793.2	4,371.8
Other long-term obligations (d)	1,738.2				
Total long-term obligations	\$ 13,211.2	\$ 3,325.0	\$ 1,983.0	\$ 1,793.2	\$4,371.8

- (a) Amounts represent the expected cash payments of our long-term debt and do not include \$1 million for capital leases or \$8 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 \$133 million as of May 31, 2015, 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 benefit plans, and miscellaneous liabilities. We expect to pay \$22 million of benefits from our unfunded postemployment benefit plans and \$14 million of deferred compensation in fiscal 2016. We are unable to reliably estimate the amount of these payments beyond fiscal 2016. As of May 31, 2015, our total liability for uncertain tax positions and accrued interest and penalties was \$196 million.

Table of Contents

SIGNIFICANT ACCOUNTING ESTIMATES

For a complete description of our significant accounting policies, see Note 2 to the Consolidated Financial Statements in Item 8 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 benefit, and postemployment benefit plans.

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 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 \$565 million as of May 31, 2015, and \$578 million as of May 25, 2014. 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.

Table of Contents

As of May 31, 2015, we had \$13.1 billion of goodwill and indefinite-lived intangible assets. While we currently believe that the fair value of each intangible exceeds its carrying value and that those intangibles so classified will contribute indefinitely to our cash flows, materially different assumptions regarding future performance of our businesses or a different weighted-average cost of capital (WACC) could result in significant impairment losses and amortization expense. We performed our fiscal 2015 assessment of our intangible assets as of November 24, 2014. 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 *Mountain High*, *Uncle Toby's*, and *Green Giant* brands. The excess fair value above the carrying value of these brand assets were as follows:

In Millions	Carrying Value	Excess Fair Value Above Carrying Value
<i>Mountain High</i>	\$ 35.4	3%
<i>Uncle Toby's</i>	\$ 57.7	7%
<i>Green Giant</i>	\$ 425.9	13%

At the end of the fourth quarter of fiscal 2015, we made a strategic decision to redirect certain resources supporting our Green Giant business in our U.S. Retail segment to other businesses within the segment. Therefore, future sales and profitability projections in our long-range plan for this business declined. As a result of this triggering event, we performed an interim impairment assessment of the *Green Giant* brand intangible asset as of May 31, 2015, and determined that the fair value of the brand asset no longer exceeded the carrying value of the asset. Significant assumptions used in that assessment included our updated long-range cash flow projections for the Green Giant business, an updated royalty rate, a WACC, and a tax rate. We recorded a \$260 million impairment charge in the fourth quarter of fiscal 2015 related to this asset.

Our *Green Giant*, *Uncle Toby's* and *Mountain High* brands have experienced declining business performance, and we will continue to monitor these businesses.

Redeemable Interest

During the third quarter of fiscal 2015, we adjusted the redemption value of Sodial's redeemable interest in Yoplait SAS 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 exchange rates, and a discount rate. As of May 31, 2015, the redemption value of the redeemable interest was \$779 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 in Item 8 of this report.

Table of Contents

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

	Fiscal Year		
	2015	2014	2013
Estimated fair values of stock options granted	\$7.22	\$6.03	\$3.65
Assumptions:			
Risk-free interest rate	2.6 %	2.6 %	1.6 %
Expected term	8.5 years	9.0 years	9.0 years
Expected volatility	17.5 %	17.4 %	17.3 %
Dividend yield	3.1 %	3.1 %	3.5 %

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 2015 volatility assumption would increase the grant date fair value of our fiscal 2015 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 in Item 8 of this report.

Table of Contents

Defined Benefit Pension, Other Postretirement Benefit, and Postemployment Benefit Plans

We have defined benefit pension plans covering many employees in the United States, Canada, France, and the United Kingdom. We also sponsor plans that provide health care benefits to many 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 in Item 8 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 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 6.5 percent, 11.7 percent, 8.1 percent, 7.8 percent, and 9.6 percent for the 1, 5, 10, 15, and 20 year periods ended May 31, 2015.

On a weighted-average basis, the expected rate of return for all defined benefit plans was 8.53 percent for fiscal 2015, 8.53 percent for fiscal 2014, and 8.53 percent for fiscal 2013.

Lowering the expected long-term rate of return on assets by 100 basis points would increase our net pension and postretirement expense by \$62 million for fiscal 2016. 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.

Table of Contents

Our weighted-average discount rates were as follows:

	Defined Benefit	Other Postretirement	Postemployment
	Pension Plans	Benefit Plans	Benefit Plans
Obligations as of May 31, 2015, and fiscal 2016 expense	4.38%	4.20%	3.55%
Obligations as of May 25, 2014, and fiscal 2015 expense	4.54%	4.51%	3.82%
Fiscal 2014 expense	4.54%	4.52%	3.70%

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 2016 by approximately \$167 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 2015. 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:

	One Percentage Point Increase	One Percentage Point Decrease
In Millions		
Effect on the aggregate of the service and interest cost components in fiscal 2016	\$ 3.7	\$ (3.2)
Effect on the other postretirement accumulated benefit obligation as of May 31, 2015	77.1	(68.9)

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 2015, we recorded net defined benefit pension, other postretirement benefit, and postemployment benefit plan expense of \$153 million compared to \$140 million of expense in fiscal 2014 and \$159 million of expense in fiscal 2013. As of May 31, 2015, we had cumulative unrecognized actuarial net losses of \$1.7 billion on our defined benefit pension plans and \$81 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 and postretirement benefit expenses because they currently exceed the corridors defined by GAAP.

Table of Contents

Assumed mortality rates of plan participants are a critical estimate in measuring the expected payments a participant will receive over their lifetime and the amount of expense we recognize. On October 27, 2014, the Society of Actuaries published RP-2014 Mortality Tables and Mortality Improvement Scale MP-2014, which both reflect improved longevity. We adopted the change to the mortality assumptions to remeasure our defined benefit pension plans and other postretirement benefit plans obligations, which increased the total of these obligations by \$437 million. In addition, these assumptions increased the fiscal 2016 expense associated with these plans by \$72 million.

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 2015, the Financial Accounting Standards Board (FASB) issued new accounting requirements for the presentation of certain investments using the net asset value, providing a practical expedient to exclude such investments from categorization within the fair value hierarchy and make a separate disclosure. The requirements of the new standard are effective for annual reporting periods beginning after December 15, 2015, and interim periods within those annual periods, which for us is the first quarter of fiscal 2017. We do not expect this guidance to have a material impact on our results of operations or financial position.

In April 2015, the FASB issued new accounting requirements that permit reporting entities with a fiscal year-end that does not coincide with a month-end to apply a practical expedient to measure defined benefit plan assets and obligations using the month-end that is closest to the entity's fiscal year-end and apply the practice consistently to all plans. The requirements of the new standard are effective for annual reporting periods beginning after December 15, 2015, and interim periods within those annual periods, which for us is the first quarter of fiscal 2017. We do not expect this guidance to have a material impact on our results of operations or financial position.

In May 2014, the FASB 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.

In June 2014, the FASB issued new accounting requirements for share-based payment awards issued based upon specific performance targets. The requirements of the new standard are effective for annual reporting periods beginning after December 15, 2015, and interim periods within those annual periods, which for us is the first quarter of fiscal 2017. We do not expect this guidance to have a material impact on our results of operations or financial position.

NON-GAAP MEASURES

We have included in this report measures of financial performance that are not defined by GAAP. We believe that these measures provide useful information to investors, and include these measures in other communications to investors.

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

Table of Contents***Constant-Currency Net Sales Growth Rates***

This measure is used in reporting to our executive management and as a component of the Board of Directors' measurement of our performance for incentive compensation purposes. We believe that this measure provides useful information to investors because it provides transparency to underlying performance in our consolidated net sales by excluding the effect that foreign currency exchange rate fluctuations have on the year-to-year comparability given volatility in foreign currency exchange markets.

Net sales growth rates on a constant-currency basis is calculated as follows:

	Fiscal	
	2015	2014
Percentage change in total net sales	(2)%	1%
Impact of foreign currency exchange	(3)pts	(1)pts
Percentage change in total net sales on a constant-currency basis	1%	2%

Table of Contents***Diluted EPS Excluding Certain Items Affecting Comparability and Related Constant-Currency Growth Rate***

This measure is used in reporting to our executive management and as a component of the Board of Directors' measurement of our performance for incentive compensation purposes. We believe that this measure provides useful information to investors because it is the profitability measure we use to evaluate earnings performance on a comparable year-over-year basis. The adjustments are either items resulting from infrequently occurring events or items that, in management's judgment, significantly affect the year-over-year assessment of operating results.

The reconciliation of our GAAP measure, diluted EPS, to diluted EPS excluding certain items affecting comparability and the related constant-currency growth rate follows:

Per Share Data	Fiscal Year					
	2015	2014	Change	2013	2012	2011
Diluted earnings per share, as reported	\$ 1.97	\$ 2.83	(30)%	\$ 2.79	\$ 2.35	\$ 2.70
Mark-to-market effects (a)	0.09	(0.05)			0.10	(0.09)
Divestiture gain, net (b)		(0.06)				
Tax items (c)	0.13			(0.13)		(0.13)
Acquisition integration costs (d)	0.02			0.01	0.01	
Venezuela currency devaluation (e)	0.01	0.09		0.03		
Restructuring costs (f)	0.35	0.01		0.02	0.10	
Project-related costs (f)	0.01					
Indefinite-lived intangible asset impairment (g)	0.28					
Diluted earnings per share, excluding certain items affecting comparability	\$ 2.86	\$ 2.82	1 %	\$ 2.72	\$ 2.56	\$ 2.48
Foreign currency exchange impact			(3)pts			
Diluted earnings per share growth, excluding certain items affecting comparability, on a constant-currency basis			4 %			

(a) See Note 7 to the Consolidated Financial Statements in Item 8 of this report.

(b) See Note 3 to the Consolidated Financial Statements in Item 8 of this report.

(c) The fiscal 2015 tax item is related to the one-time repatriation of foreign earnings in fiscal 2015. 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 includes 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 Annie's in fiscal 2015, Yoki in fiscal 2013, and Yoplait SAS and Yoplait Marques SNC in fiscal 2012.

(e) See Note 7 to the Consolidated Financial Statements in Item 8 of this report.

(f) See Note 4 to the Consolidated Financial Statements in Item 8 of this report.

(g) See Note 6 to the Consolidated Financial Statements in Item 8 of this report.

Total Segment Operating Profit and Related Constant-Currency Growth Rate

This measure is used in reporting to our executive management and as a component of the Board of Directors' measurement of our performance for incentive compensation purposes. We believe that this measure provides useful information to investors because it is the profitability measure we use to evaluate segment performance. A reconciliation of total segment operating profit to operating profit, the relevant GAAP measure, is included in Note 16 to the Consolidated Financial Statements in Item 8 of this report.

Table of Contents

Total segment operating profit growth rate on a constant-currency basis is calculated as follows:

	Fiscal	
	2015	2014
Percentage change in total segment operating profit as reported	(4)%	(2)%
Impact of foreign currency exchange	(2)pts	(1)pt
Percentage change in total segment operating profit on a constant-currency basis	(2)%	(1)%

Net Sales Growth Rates for Our International Segment on Constant-Currency Basis

We believe this measure of our International segment and region net sales provides useful information to investors because it provides transparency to the underlying performance by excluding the effect that foreign currency exchange rate fluctuations have on year-to-year comparability given volatility in foreign currency exchange markets.

	Fiscal 2015		
	Percentage Change in Net Sales as Reported	Impact of Foreign Currency Exchange	Percentage Change in Net Sales on Constant- Currency Basis
Europe	(3)%	(8)pts	5%
Canada	(8)	(8)	Flat
Asia/Pacific	4	(1)	5
Latin America	(14)	(31)	17
Total International	(5)%	(11)pts	6%

	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 %

Constant-Currency International Segment Operating Profit Growth Rate

We believe that this measure provides useful information to investors because it provides transparency to underlying performance of the International segment by excluding the effect that foreign currency exchange rate fluctuations have on year-to-year comparability given volatility in foreign currency exchange markets.

Table of Contents

International segment operating profit growth rate on a constant-currency basis is calculated as follows:

	Fiscal	
	2015	2014
Percentage change in International segment operating profit as reported	(2)%	4 %
Impact of foreign currency exchange	(11)pts	(6)pts
Percentage change in International segment operating profit on a constant-currency basis	9 %	10 %

Table of Contents**Return on Average Total Capital**

Change in return on average total capital is a measure used in reporting to our executive management and as a component of the Board of Director's measurement of our performance for incentive compensation purposes. We believe that this measure provides useful information to investors because it is important for assessing the utilization of capital and it eliminates certain items that affect year-to-year comparability.

In Millions	Fiscal Year					
	2015	2014	2013	2012	2011	2010
Net earnings, including earnings attributable to redeemable and noncontrolling interests	\$ 1,259.4	\$ 1,861.3	\$ 1,892.5	\$ 1,589.1	\$ 1,803.5	
Interest, net, after-tax	199.8	190.9	201.2	238.9	243.5	
Earnings before interest, after-tax	1,459.2	2,052.2	2,093.7	1,828.0	2,047.0	
Mark-to-market effects	56.5	(30.5)	(2.8)	65.6	(60.0)	
Divestiture gain, net		(36.0)				
Tax items	78.6		(85.4)		(88.9)	
Acquisition integration costs	10.4		8.8	9.7		
Venezuela currency devaluation	8.0	57.8	20.8			
Restructuring costs	217.7	3.6	15.9	64.3		
Project-related costs	8.3					
Indefinite-lived intangible impairment	176.9					
Earnings before interest, after-tax for return on capital calculation	\$ 2,015.6	\$ 2,047.1	\$ 2,051.0	\$ 1,967.6	\$ 1,898.1	
Current portion of long-term debt	\$ 1,000.4	\$ 1,250.6	\$ 1,443.3	\$ 741.2	\$ 1,031.3	\$ 107.3
Notes payable	615.8	1,111.7	599.7	526.5	311.3	1,050.1
Long-term debt	7,607.7	6,423.5	5,926.1	6,161.9	5,542.5	5,268.5
Total debt	9,223.9	8,785.8	7,969.1	7,429.6	6,885.1	6,425.9
Redeemable interest	778.9	984.1	967.5	847.8		
Noncontrolling interests	396.0	470.6	456.3	461.0	246.7	245.1
Stockholders' equity	4,996.7	6,534.8	6,672.2	6,421.7	6,365.5	5,402.9
Total capital	15,395.5	16,775.3	16,065.1	15,160.1	13,497.3	12,073.9
Accumulated other comprehensive loss	2,310.7	1,340.3	1,585.3	1,743.7	1,010.8	1,486.9
After-tax earnings adjustments (a)	347.1	(209.3)	(204.2)	(161.5)	(301.1)	(152.2)
Adjusted total capital	\$ 18,053.3	\$ 17,906.3	\$ 17,446.2	\$ 16,742.3	\$ 14,207.0	\$ 13,408.6
Adjusted average total capital	\$ 17,979.8	\$ 17,676.2	\$ 17,094.2	\$ 15,474.6	\$ 13,807.8	
Return on average total capital	11.2%	11.6%	12.0%	12.7%	13.7%	
Change in return on average total capital	(40)bps					
Foreign currency exchange impact	(20)bps					
Change in return on average total capital on a constant-currency basis	(20)bps					

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

Table of Contents

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; effectiveness of restructuring and cost savings initiatives; 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 this report, 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.

ITEM 7A Quantitative and Qualitative Disclosures About Market Risk

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 in Item 8 of this report.

Table of Contents**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 31, 2015, and May 25, 2014, and the average fair value impact during the year ended May 31, 2015.

In Millions	Fair Value Impact		
	Average		
	during		
	May 31,		May 25,
	2015	fiscal 2015	2014
Interest rate instruments	\$ 25.1	\$ 23.7	\$ 32.7
Foreign currency instruments	17.9	8.8	7.2
Commodity instruments	3.7	3.7	3.0
Equity instruments	1.2	1.2	1.1

Table of Contents

**ITEM 8 Financial Statements and Supplementary Data
REPORT OF MANAGEMENT RESPONSIBILITIES**

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

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

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

The Audit Committee reviewed and approved the Company's annual financial statements. The Audit Committee recommended, and the Board of Directors approved, that the consolidated financial statements be included in the Annual Report. The Audit Committee also appointed KPMG LLP to serve as the Company's independent registered public accounting firm for fiscal 2016.

/s/ K. J. Powell

K. J. Powell
Chairman of the Board
and Chief Executive Officer
July 6, 2015

/s/ D. L. Mulligan

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

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

General Mills, Inc.:

We have audited the accompanying consolidated balance sheets of General Mills, Inc. and subsidiaries as of May 31, 2015 and May 25, 2014, and the related consolidated statements of earnings, comprehensive income, total equity and redeemable interest, and cash flows for each of the fiscal years in the three-year period ended May 31, 2015. In connection with our audits of the consolidated financial statements, we have audited the accompanying financial statement schedule. We also have audited General Mills, Inc.'s internal control over financial reporting as of May 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). General Mills, Inc.'s management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

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

Table of Contents

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 31, 2015 and May 25, 2014, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended May 31, 2015, 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 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP

Minneapolis, Minnesota

July 6, 2015

Table of Contents**Consolidated Statements of Earnings**

GENERAL MILLS, INC. AND SUBSIDIARIES

(In Millions, Except per Share Data)

	2015	Fiscal Year 2014	2013
Net sales	\$ 17,630.3	\$ 17,909.6	\$ 17,774.1
Cost of sales	11,681.1	11,539.8	11,350.2
Selling, general, and administrative expenses	3,328.0	3,474.3	3,552.3
Divestiture (gain)		(65.5)	
Restructuring, impairment, and other exit costs	543.9	3.6	19.8
Operating profit	2,077.3	2,957.4	2,851.8
Interest, net	315.4	302.4	316.9
Earnings before income taxes and after-tax earnings			
from joint ventures	1,761.9	2,655.0	2,534.9
Income taxes	586.8	883.3	741.2
After-tax earnings from joint ventures	84.3	89.6	98.8
Net earnings, including earnings attributable to redeemable and noncontrolling interests	1,259.4	1,861.3	1,892.5
Net earnings attributable to redeemable and noncontrolling interests	38.1	36.9	37.3
Net earnings attributable to General Mills	\$ 1,221.3	\$ 1,824.4	\$ 1,855.2
Earnings per share - basic	\$ 2.02	\$ 2.90	\$ 2.86
Earnings per share - diluted	\$ 1.97	\$ 2.83	\$ 2.79
Dividends per share	\$ 1.67	\$ 1.55	\$ 1.32

See accompanying notes to consolidated financial statements.

Table of Contents**Consolidated Statements of Comprehensive Income**

GENERAL MILLS, INC. AND SUBSIDIARIES

(In Millions)

	2015	Fiscal Year 2014	2013
Net earnings, including earnings attributable to redeemable and noncontrolling interests	\$ 1,259.4	\$ 1,861.3	\$ 1,892.5
Other comprehensive income (loss), net of tax:			
Foreign currency translation	(957.9)	(11.3)	0.8
Net actuarial income (loss)	(358.4)	206.0	45.0
Other fair value changes:			
Securities	0.8	0.3	0.8
Hedge derivatives	4.1	5.0	24.6
Reclassification to earnings:			
Hedge derivatives	4.9	(4.6)	12.2
Amortization of losses and prior service costs	105.1	107.6	98.8
Other comprehensive income (loss), net of tax	(1,201.4)	303.0	182.2
Total comprehensive income	58.0	2,164.3	2,074.7
Comprehensive income (loss) attributable to redeemable and noncontrolling interests	(192.9)	94.9	61.1
Comprehensive income attributable to General Mills	\$ 250.9	\$ 2,069.4	\$ 2,013.6

See accompanying notes to consolidated financial statements.

Table of Contents**Consolidated Balance Sheets**

GENERAL MILLS, INC. AND SUBSIDIARIES

(In Millions, Except Par Value)

	May 31, 2015	May 25, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 334.2	\$ 867.3
Receivables	1,386.7	1,483.6
Inventories	1,540.9	1,559.4
Deferred income taxes	100.1	74.1
Prepaid expenses and other current assets	423.8	409.1
Total current assets	3,785.7	4,393.5
Land, buildings, and equipment	3,783.3	3,941.9
Goodwill	8,874.9	8,650.5
Other intangible assets	4,677.0	5,014.3
Other assets	843.6	1,145.5
Total assets	\$ 21,964.5	\$ 23,145.7
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 1,684.0	\$ 1,611.3
Current portion of long-term debt	1,000.4	1,250.6
Notes payable	615.8	1,111.7
Other current liabilities	1,589.9	1,449.9
Total current liabilities	4,890.1	5,423.5
Long-term debt	7,607.7	6,423.5
Deferred income taxes	1,550.3	1,666.0
Other liabilities	1,744.8	1,643.2
Total liabilities	15,792.9	15,156.2
Redeemable interest	778.9	984.1
Stockholders' equity:		
Common stock, 754.6 shares issued, \$0.10 par value	75.5	75.5
Additional paid-in capital	1,296.7	1,231.8
Retained earnings	11,990.8	11,787.2
Common stock in treasury, at cost, shares of 155.9 and 142.3	(6,055.6)	(5,219.4)
Accumulated other comprehensive loss	(2,310.7)	(1,340.3)
Total stockholders' equity	4,996.7	6,534.8

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Noncontrolling interests	396.0	470.6
Total equity	5,392.7	7,005.4
Total liabilities and equity	\$ 21,964.5	\$ 23,145.7

See accompanying notes to consolidated financial statements.

Table of Contents**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)**

	Issued		Treasury			Accumulated			Total	Redeemable
	Shares	Par Amount	Additional Paid-In Capital	Shares	Amount	Retained Earnings	Other Comprehensive Loss	Non-controlling Interests	Equity	Interest
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)	
Earned 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)	
Earned 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 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
Total comprehensive income (loss)						1,221.3	(970.4)	(70.0)	180.9	(122.9)
Cash dividends declared (\$1.67 per share)						(1,017.7)			(1,017.7)	
Shares purchased				(22.3)	(1,161.9)				(1,161.9)	
Stock compensation plans (includes income tax benefits of \$74.6)			(38.1)	8.7	325.7				287.6	
			(80.8)						(80.8)	

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Unearned compensation related to restricted stock unit awards										
Earned compensation			111.1						111.1	
Decrease in redemption value of redeemable interest			83.2						83.2	(83.2)
Addition of noncontrolling interest							20.7		20.7	
Acquisition of interest in subsidiary			(10.5)				0.6		(9.9)	
Distributions to redeemable and noncontrolling interest holders							(25.9)		(25.9)	0.9
Balance as of May 31, 2015	754.6	\$ 75.5	\$ 1,296.7	(155.9)	\$ (6,055.6)	\$ 11,990.8	\$ (2,310.7)	\$ 396.0	\$ 5,392.7	\$ 778.9

See accompanying notes to consolidated financial statements.

Table of Contents**Consolidated Statements of Cash Flows**

GENERAL MILLS, INC. AND SUBSIDIARIES

(In Millions)

	2015	Fiscal Year 2014	2013
Cash Flows - Operating Activities			
Net earnings, including earnings attributable to redeemable and noncontrolling interests	\$ 1,259.4	\$ 1,861.3	\$ 1,892.5
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	588.3	585.4	588.0
After-tax earnings from joint ventures	(84.3)	(89.6)	(98.8)
Distributions of earnings from joint ventures	72.6	90.5	115.7
Stock-based compensation	106.4	108.5	100.4
Deferred income taxes	25.3	172.5	81.8
Tax benefit on exercised options	(74.6)	(69.3)	(103.0)
Pension and other postretirement benefit plan contributions	(49.5)	(49.7)	(223.2)
Pension and other postretirement benefit plan costs	91.3	124.1	131.2
Divestiture (gain)		(65.5)	
Restructuring, impairment, and other exit costs	531.1	(18.8)	(60.2)
Changes in current assets and liabilities, excluding the effects of acquisitions	214.7	(32.2)	471.1
Other, net	(137.9)	(76.2)	30.5
Net cash provided by operating activities	2,542.8	2,541.0	2,926.0
Cash Flows - Investing Activities			
Purchases of land, buildings, and equipment	(712.4)	(663.5)	(613.9)
Acquisitions, net of cash acquired	(822.3)		(898.0)
Investments in affiliates, net	(102.4)	(54.9)	(40.4)
Proceeds from disposal of land, buildings, and equipment	11.0	6.6	24.2
Proceeds from divestiture		121.6	
Exchangeable note	27.9	29.3	16.2
Other, net	(4.0)	(0.9)	(3.5)
Net cash used by investing activities	(1,602.2)	(561.8)	(1,515.4)
Cash Flows - Financing Activities			
Change in notes payable	(509.8)	572.9	(44.5)
Issuance of long-term debt	2,253.2	1,673.0	1,001.1
Payment of long-term debt	(1,145.8)	(1,444.8)	(542.3)
Proceeds from common stock issued on exercised options	163.7	108.1	300.8
Tax benefit on exercised options	74.6	69.3	103.0
Purchases of common stock for treasury	(1,161.9)	(1,745.3)	(1,044.9)
Dividends paid	(1,017.7)	(983.3)	(867.6)
Addition of noncontrolling interest		17.6	
Distributions to noncontrolling and redeemable interest holders	(25.0)	(77.4)	(39.2)
Other, net	(16.1)	(14.2)	(6.6)

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Net cash used by financing activities	(1,384.8)	(1,824.1)	(1,140.2)
Effect of exchange rate changes on cash and cash equivalents	(88.9)	(29.2)	(0.2)
Increase (decrease) in cash and cash equivalents	(533.1)	125.9	270.2
Cash and cash equivalents - beginning of year	867.3	741.4	471.2
Cash and cash equivalents - end of year	\$ 334.2	\$ 867.3	\$ 741.4

Cash Flow from Changes in Current Assets and Liabilities, excluding the effects of

acquisitions:

Receivables	\$ 6.8	\$ (41.0)	\$ (44.6)
Inventories	(24.2)	(88.3)	18.7
Prepaid expenses and other current assets	(50.5)	10.5	(64.3)
Accounts payable	145.8	191.5	263.6
Other current liabilities	136.8	(104.9)	297.7

Changes in current assets and liabilities **\$ 214.7** \$ (32.2) \$ 471.1

See accompanying notes to consolidated financial statements.

Table of Contents

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 year 2015 consisted of 53 weeks, while fiscal years 2014 and 2013 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, in fiscal 2013 we changed the reporting period of Europe and Australia 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 included 13 months of results from the affected operations compared to 12 months in following fiscal years. The impact of these changes was not material to our consolidated results of operations. Our Yoplait SAS, Yoplait Marques SNC, 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 31, 2015, 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

Table of Contents

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*, *Häagen-Dazs*, and *Annie's* 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 Unconsolidated 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.

Table of Contents***Redeemable Interest***

We have a 51 percent controlling interest in Yoplait SAS, a consolidated entity. Sodiaal International (Sodiaal) holds the remaining 49 percent interest in Yoplait SAS. Sodiaal has the ability to put a limited portion of its redeemable interest to us at fair value through a maximum term expiring December 2020. 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 2015, 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 exchange 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 period. 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.

Table of Contents***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, other postretirement benefit and postemployment benefit plans. Actual results could differ from our estimates.

NOTE 3. ACQUISITION AND DIVESTITURE

On October 21, 2014, we acquired Annie's, Inc. (Annie's), a publicly traded food company headquartered in Berkeley, California, for an aggregate purchase price of \$821.2 million, which we funded by issuing debt. We consolidated Annie's into our Consolidated Balance Sheets and recorded goodwill of \$589.8 million, an indefinite lived intangible asset for the Annie's brand of \$244.5 million, and a finite lived customer relationship asset of \$23.9 million. The pro forma effects of this acquisition were not material.

During the fourth quarter of fiscal 2014, we sold certain grain elevators in our U.S. Retail segment for \$124.0 million in cash and recorded a pre-tax gain of \$65.5 million.

Table of Contents**NOTE 4. RESTRUCTURING, IMPAIRMENT, AND OTHER EXIT COSTS****INTANGIBLE ASSET IMPAIRMENT**

In fiscal 2015, we recorded a \$260 million charge related to the impairment of our *Green Giant* brand intangible asset in restructuring, impairment, and other exit costs. See Note 6 for additional information.

RESTRUCTURING INITIATIVES

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. Accelerated 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.

We are currently pursuing several multi-year restructuring initiatives designed to increase our efficiency and focus our business behind our key growth strategies. Charges recorded in fiscal 2015 related to these initiatives were as follows:

Expense, in Millions	Severance	Asset Write- offs	Pension Related	Accelerated Depreciation	Other	Total
Project Catalyst	\$ 121.5	\$ 12.3	\$ 6.6	\$	\$ 8.0	\$ 148.4
Project Century	44.3	42.3	31.2	53.1	10.9	181.8
Combination of certain operational facilities	13.0	0.7			0.2	13.9
Charges associated with restructuring actions previously announced	(0.6)					(0.6)
Total	\$ 178.2	\$ 55.3	\$ 37.8	\$ 53.1	\$ 19.1	\$ 343.5

During the second quarter of fiscal 2015, we approved Project Catalyst, a restructuring plan to increase organizational effectiveness and reduce overhead expense. In connection with this project, we expect to eliminate approximately 800 positions primarily in the United States. We expect to incur approximately \$148 million of net expenses relating to these actions of which approximately \$118 million will be cash. These actions were largely completed in fiscal 2015.

Project Century (Century) is a review of our North American manufacturing and distribution network to streamline operations and identify potential capacity reductions. In addition to the actions taken at certain facilities described below, we incurred \$17.2 million of restructuring charges in fiscal 2015 related to Century of which \$6.0 million was cash.

As part of Century, we approved actions in the third quarter of fiscal 2015 to reduce our refrigerated dough capacity and exit our Midland, Ontario, Canada and New Albany, Indiana facilities, which support our U.S. Retail, International, and Convenience Stores and Foodservice supply chains. The Midland action will affect approximately 100 positions, and we expect to incur approximately \$21 million of net expenses relating to this action, of which approximately \$12 million will be cash. We recorded \$6.5 million of restructuring charges relating to this action in fiscal 2015. The New Albany action will affect approximately 400 positions, and we expect to incur approximately \$84 million of net expenses relating to this action of which approximately \$44 million will be cash. We recorded

Table of Contents

\$51.3 million of restructuring charges relating to this action in fiscal 2015. We anticipate these actions will be completed by the end of fiscal 2018.

During the second quarter of fiscal 2015, we approved a restructuring plan to consolidate yogurt manufacturing capacity and exit our Methuen, Massachusetts facility in our U.S. Retail and Convenience Stores and Foodservice supply chains as part of Century. This action will affect approximately 250 positions. We recorded \$43.6 million of restructuring charges in fiscal 2015. We expect to incur approximately \$69 million of net expenses relating to this action of which approximately \$18 million will be cash. We expect this action to be completed by the end of fiscal 2016.

Also as part of Century, during the second quarter of fiscal 2015, we approved a restructuring plan to eliminate excess cereal and dry mix capacity and exit our Lodi, California facility in our U.S. Retail supply chain. This action will affect approximately 430 positions. We recorded \$63.2 million of restructuring charges in fiscal 2015. We expect to incur approximately \$102 million of net expenses relating to this action of which approximately \$41 million will be cash. We expect this action to be completed by the end of fiscal 2016.

During the first quarter of fiscal 2015, we approved a plan to combine certain Yoplait and General Mills operational facilities within our International segment to increase efficiencies and reduce costs. This action will affect approximately 240 positions. We recorded \$13.9 million of restructuring charges in fiscal 2015. We expect to incur approximately \$15 million of net expenses relating to this action and to make approximately \$14 million in cash payments. We expect this action to be completed by the end of fiscal 2016.

In fiscal 2015, we paid \$63.6 million in cash related to restructuring initiatives.

In addition to restructuring charges, we expect to incur approximately \$65 million of additional project-related costs, which will be recorded in cost of sales, all of which will be cash. We recorded \$13.2 million in cost of sales for project-related costs in fiscal 2015.

Subsequent to our fiscal 2015 year end, in the first quarter of fiscal 2016, we approved Project Compass, a restructuring plan designed to enable our International segment to accelerate long-term growth through increased organizational effectiveness and reduced administrative expense. In connection with this initiative, we expect to eliminate approximately 675 to 725 positions. We expect to record total restructuring charges of approximately \$57 to \$62 million, primarily reflecting one-time employee termination benefits, of which approximately \$54 to \$57 million will be recorded in the first quarter of fiscal 2016. We expect approximately \$54 to \$59 million of the total expense will result in future cash expenditures. These restructuring actions are expected to be completed by the end of fiscal 2017.

Restructuring charges and project-related costs are classified in our Consolidated Statements of Earnings as follows:

In Millions	Fiscal		
	2015	2014	2013
Cost of sales	\$ 59.6	\$	\$
Restructuring, impairment, and other exit costs	283.9	3.6	19.8
Total restructuring charges	343.5	3.6	19.8
Project-related costs classified in cost of sales	\$ 13.2	\$	\$

Table of Contents

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.

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

In Millions	Contract		Other	Total
	Severance	Termination	Exit Costs	
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
2015 charges, including foreign currency translation	176.4	0.6	8.1	185.1
Utilized in 2015	(61.3)		(6.5)	(67.8)
Reserve balance as of May 31, 2015	\$118.6	\$0.6	\$1.6	\$120.8

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 UNCONSOLIDATED 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.

Table of Contents

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 31, 2015	May 25, 2014
Cumulative investments	\$ 530.6	\$ 507.5
Goodwill and other intangibles	465.1	563.2
Aggregate advances included in cumulative investments	390.3	332.0

Joint venture earnings and cash flow activity follows:

In Millions	Fiscal Year		
	2015	2014	2013
Sales to joint ventures	\$11.6	\$ 12.1	\$ 12.3
Net advances	102.4	54.9	36.7
Dividends received	72.6	90.5	115.7

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

In Millions	Fiscal Year		
	2015	2014	2013
Net sales:			
CPW	\$ 1,894.5	\$ 2,107.9	\$ 2,132.2
HDJ	370.2	386.9	420.5
Total net sales	2,264.7	2,494.8	2,552.7
Gross margin	925.4	1,030.3	1,057.3
Earnings before income taxes	220.9	219.1	260.3
Earnings after income taxes	170.7	168.8	201.6

In Millions	May 31, 2015	May 25, 2014
Current assets	\$ 800.1	\$ 1,031.1
Noncurrent assets	962.1	1,129.8
Current liabilities	1,484.8	1,779.0
Noncurrent liabilities	118.2	110.3

Table of Contents**NOTE 6. GOODWILL AND OTHER INTANGIBLE ASSETS**

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

In Millions	May 31, 2015	May 25, 2014
Goodwill	\$ 8,874.9	\$ 8,650.5
Other intangible assets:		
Intangible assets not subject to amortization:		
Brands and other indefinite-lived intangibles	4,262.1	4,504.1
Intangible assets subject to amortization:		
Franchise agreements, customer relationships, and other finite-lived intangibles	544.0	630.7
Less accumulated amortization	(129.1)	(120.5)
Intangible assets subject to amortization	414.9	510.2
Other intangible assets	4,677.0	5,014.3
Total	\$ 13,551.9	\$ 13,664.8

Based on the carrying value of finite-lived intangible assets as of May 31, 2015, amortization expense for each of the next five fiscal years is estimated to be approximately \$28 million.

The changes in the carrying amount of goodwill for fiscal 2013, 2014, and 2015 are as follows:

In Millions	U.S. Retail	International	Convenience Stores and Foodservice	Joint Ventures	Total
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
Acquisition	589.8				589.8
Other activity, primarily foreign currency translation		(268.7)		(96.7)	(365.4)
Balance as of May 31, 2015	\$ 6,419.0	\$ 1,133.3	\$ 921.1	\$ 401.5	\$ 8,874.9

During the second quarter of fiscal 2015, we reorganized certain reporting units within our U.S. Retail operating segment. Our chief operating decision maker continues to assess performance and make decisions about resources to be allocated to our segments at the U.S. Retail, International, and Convenience Stores and Foodservice operating segment level.

We performed our fiscal 2015 impairment assessment as of the first day of the third quarter of fiscal 2015, 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.

Table of Contents

The changes in the carrying amount of other intangible assets for fiscal 2013, 2014, and 2015 are as follows:

In Millions	U.S.		Joint	
	Retail	International	Ventures	Total
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
Acquisition	268.4			268.4
Impairment charge	(260.0)			(260.0)
Other activity, primarily foreign currency translation	(4.0)	(340.3)	(1.4)	(345.7)
Balance as of May 31, 2015	\$ 3,311.9	\$ 1,301.5	\$ 63.6	\$ 4,677.0

We performed our fiscal 2015 impairment assessment as of the first day of the third quarter of fiscal 2015. 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 *Mountain High*, *Uncle Toby's*, and *Green Giant* brands. As of the annual assessment date, excess fair value above the carrying value of these brand assets was as follows:

In Millions	Carrying Value	Excess Fair Value Above Carrying Value
Mountain High	\$ 35.4	3%
Uncle Toby's	\$ 57.7	7%
Green Giant	\$ 425.9	13%

At the end of the fourth quarter of fiscal 2015, we made a strategic decision to redirect certain resources supporting our Green Giant business in our U.S. Retail segment to other businesses within the segment. Therefore, future sales and profitability projections in our long-range plan for this business declined. As a result of this triggering event, and in connection with the preparation of this report, we performed an interim impairment assessment of the *Green Giant* brand intangible asset as of May 31, 2015, and determined that the fair value of the brand asset no longer exceeded the carrying value of the asset. Significant assumptions used in that assessment included our updated long-range cash flow projections for the Green Giant business, an updated royalty rate, a weighted-average cost of capital, and a tax rate. We recorded a \$260 million impairment charge in restructuring, impairment, and other exit costs during the fourth quarter of fiscal 2015 related to this asset.

We will continue to monitor these businesses for potential impairment.

Table of Contents**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 31, 2015, and May 25, 2014, 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	
	2015	2014	2015	2014	2015	2014	2015	2014
Available for sale:								
Debt securities	\$ 2.6	\$ 318.6	\$ 2.6	\$ 318.8	\$	\$ 0.2	\$	\$
Equity securities	1.8	1.8	8.3	7.2	6.5	5.4		
Total	\$ 4.4	\$ 320.4	\$ 10.9	\$ 326.0	\$ 6.5	\$ 5.6	\$	\$

There were 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 noncurrent is dependent upon our intended holding period, the security's maturity date, or both. The aggregate unrealized gains and losses on available-for-sale securities, net of tax effects, are classified in AOCI within stockholders' equity.

Scheduled maturities of our marketable securities are as follows:

In Millions	Available for Sale	
	Cost	Market Value
Under 1 year (current)	\$ 2.5	\$ 2.5
From 1 to 3 years		
From 4 to 7 years	0.1	0.1
Equity securities	1.8	8.3
Total	\$ 4.4	\$ 10.9

As of May 31, 2015, cash and cash equivalents totaling \$40.1 million were pledged as collateral for derivative contracts. As of May 31, 2015, \$4.1 million of certain accounts receivable were 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 \$8,996.6 million and \$8,608.1 million, respectively, as of May 31, 2015. 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

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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

Table of Contents

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 2015, 2014 and 2013 included:

In Millions	Fiscal Year		
	2015	2014	2013
Net loss on mark-to-market valuation of commodity positions	\$ (163.7)	\$ (4.9)	\$ (7.6)
Net loss on commodity positions reclassified from			
unallocated corporate items to segment operating profit	84.4	51.2	13.7
Net mark-to-market revaluation of certain grain inventories	(10.4)	2.2	(1.7)
Net mark-to-market valuation of certain commodity positions			
recognized in unallocated corporate items	\$ (89.7)	\$ 48.5	\$ 4.4

As of May 31, 2015, the net notional value of commodity derivatives was \$384.0 million, of which \$214.7 million related to agricultural inputs and \$169.3 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 2015, 2014, and 2013.

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 a \$1.6 million gain in fiscal 2015 and less than \$1 million in fiscal 2014 and 2013.

Table of Contents

In advance of planned debt financing, we entered into 600.0 million of forward starting swaps with an average fixed rate of 0.5 percent. All of these forward starting swaps were cash settled for \$6.5 million during the fourth quarter of fiscal 2015, coincident with the issuance of our 500 million 8-year fixed-rate notes and 400 million 12-year fixed-rate notes.

During the second quarter of fiscal 2015, we entered into swaps to convert \$500.0 million of 1.4 percent fixed-rate notes due October 20, 2017, and \$500.0 million of 2.2 percent fixed-rate notes due October 21, 2019, to floating rates.

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 31, 2015, 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)
5.7% notes due February 15, 2017	\$ (3.8)
5.65% notes due February 15, 2019	1.8
3.15% notes due December 15, 2021	(64.7)
1.0% notes due April 27, 2023	(1.9)
3.65% notes due February 15, 2024	15.5
1.5% notes due April 27, 2027	(3.9)
5.4% notes due June 15, 2040	(14.0)
4.15% notes due February 15, 2043	10.9
Net pre-tax hedge loss in AOCI	\$ (60.1)

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 31, 2015	May 25, 2014
Pay-floating swaps - notional amount	\$ 1,250.0	\$ 250.0
Average receive rate	1.6%	0.9%
Average pay rate	0.7%	0.5%

The swap contracts mature at various dates from fiscal 2016 to 2020 as follows:

In Millions	Pay Floating
2016	\$ 250.0
2017	
2018	500.0
2019	
2020	500.0
Total	\$ 1,250.0

Table of Contents

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 31, 2015							
		Assets					Liabilities		
		Gross Amounts Not Offset in the Balance Sheet (e)					Gross Amounts Not Offset in the Balance Sheet (e)		
		Gross Liabilities Offset	Net Amounts of	Cash Collateral Received	Gross Amounts Not Offset in the Balance Sheet (a)	Gross Assets	Net Amounts of	Cash Collateral Pledged	
In Millions	Recognized Assets (a)	in the Balance Sheet (b)	Financial Instruments (c)	Collateral Received (d)	Recognized Liabilities (e)	in the Balance Sheet (a)	Financial Instruments (b)	Collateral Pledged (c)	