GENERAL MILLS INC
Form 10-Q
March 20, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED February 24, 2013

¨ 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)

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 x No ¨

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

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.

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

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

Number of shares of Common Stock outstanding as of March 8, 2013: 644,657,589 (excluding 109,955,739 shares held in the treasury).

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General Mills, Inc.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Statements of Earnings

GENERAL MILLS, INC. AND SUBSIDIARIES

(Unaudited) (In Millions, Except per Share Data)

	Quarter Ended		Nine-Month Period Ended	
	Feb. 24, 2013	**Feb. 26, 2012**	**Feb. 24, 2013**	**Feb. 26, 2012**
Net sales	**$ 4,430.6**	$ 4,120.1	**$ 13,363.4**	$ 12,591.5
Cost of sales	**2,907.9**	2,612.7	**8,470.1**	8,042.9
Selling, general, and administrative expenses	**874.5**	838.7	**2,624.1**	2,523.3
Restructuring, impairment, and other exit costs	**6.1**	0.1	**18.0**	0.9
Operating profit	**642.1**	668.6	**2,251.2**	2,024.4
Interest, net	**76.6**	96.0	**235.1**	268.6
Earnings before income taxes and after-tax earnings from joint ventures	**565.5**	572.6	**2,016.1**	1,755.8
Income taxes	**174.2**	187.3	**577.7**	574.2
After-tax earnings from joint ventures	**21.3**	15.5	**77.3**	72.7
Net earnings, including earnings attributable to redeemable and noncontrolling interests	**412.6**	400.8	**1,515.7**	1,254.3
Net earnings attributable to redeemable and noncontrolling interests	**14.2**	9.3	**26.8**	12.4
Net earnings attributable to General Mills	**$ 398.4**	$ 391.5	**$ 1,488.9**	$ 1,241.9
Earnings per share - basic	**$ 0.61**	$ 0.61	**$ 2.29**	$ 1.92
Earnings per share - diluted	**$ 0.60**	$ 0.58	**$ 2.24**	$ 1.86
Dividends per share	**$ 0.330**	$ 0.305	**$ 0.990**	$ 0.915

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Comprehensive Income

GENERAL MILLS, INC. AND SUBSIDIARIES

(Unaudited) (In Millions)

	Quarter Ended		Nine-Month Period Ended	
	Feb. 24, 2013	**Feb. 26, 2012**	**Feb. 24, 2013**	**Feb. 26, 2012**
Net earnings, including earnings attributable to redeemable and noncontrolling interests	**$ 412.6**	$ 400.8	**$ 1,515.7**	$ 1,254.3
Other comprehensive income (loss), net of tax:				
Foreign currency translation	**14.0**	102.5	**138.5**	(201.3)
Other fair value changes:				
Securities	**0.2**	0.5	**0.6**	0.1
Hedge derivatives	**22.7**	(11.0)	**18.7**	(49.4)
Reclassification to earnings:				
Hedge derivatives	**3.2**	3.1	**13.6**	7.4
Amortization of losses and prior service costs	**24.6**	20.4	**74.1**	61.3
Other comprehensive income (loss), net of tax	**64.7**	115.5	**245.5**	(181.9)
Total comprehensive income	**477.3**	516.3	**1,761.2**	1,072.4
Comprehensive income (loss) attributable to redeemable and noncontrolling interests	**19.6**	32.1	**72.6**	(68.4)
Comprehensive income attributable to General Mills	**$ 457.7**	$ 484.2	**$ 1,688.6**	$ 1,140.8

See accompanying notes to consolidated financial statements.

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Consolidated Balance Sheets

GENERAL MILLS, INC. AND SUBSIDIARIES

(In Millions, Except Par Value)

	Feb. 24, 2013 (Unaudited)	May 27, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 751.2**	$ 471.2
Receivables	**1,591.5**	1,323.6
Inventories	**1,606.4**	1,478.8
Deferred income taxes	**87.6**	59.7
Prepaid expenses and other current assets	**329.1**	358.1
Total current assets	**4,365.8**	3,691.4
Land, buildings, and equipment	**3,806.8**	3,652.7
Goodwill	**8,665.7**	8,182.5
Other intangible assets	**5,060.4**	4,704.9
Other assets	**894.7**	865.3
Total assets	**$ 22,793.4**	$ 21,096.8
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	**$ 1,186.0**	$ 1,148.9
Current portion of long-term debt	**744.0**	741.2
Notes payable	**682.7**	526.5
Other current liabilities	**1,669.9**	1,426.6
Total current liabilities	**4,282.6**	3,843.2
Long-term debt	**6,631.9**	6,161.9
Deferred income taxes	**1,202.4**	1,171.4
Other liabilities	**2,212.9**	2,189.8
Total liabilities	**14,329.8**	13,366.3
Redeemable interest	**984.2**	847.8
Stockholders equity:		
Common stock, 754.6 shares issued, $0.10 par value	**75.5**	75.5
Additional paid-in capital	**1,168.6**	1,308.4
Retained earnings	**10,795.8**	9,958.5
Common stock in treasury, at cost, shares of 110.3 and 106.1	**(3,479.2)**	(3,177.0)
Accumulated other comprehensive loss	**(1,544.0)**	(1,743.7)

Total stockholders equity	**7,016.7**	6,421.7
Noncontrolling interests	**462.7**	461.0
Total equity	**7,479.4**	6,882.7
Total liabilities and equity	**$ 22,793.4**	$ 21,096.8

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Total Equity and Redeemable Interest

GENERAL MILLS, INC. AND SUBSIDIARIES

(Unaudited) (In Millions, Except per Share Data)

	$.10 Par Value Common Stock (One Billion Shares Authorized) Issued			Treasury						
	Shares	**Par Amount**	**Additional Paid-In Capital**	**Shares**	**Amount**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Non-controlling Interests**	**Total Equity**	**Redeemable Interest**
Balance as of May 29, 2011	754.6	$ 75.5	$ 1,319.8	(109.8)	$ (3,210.3)	$ 9,191.3	$ (1,010.8)	$ 246.7	$ 6,612.2	
Total comprehensive income (loss)						1,567.3	(732.9)	(44.3)	790.1	$ (86.1)
Cash dividends declared ($1.22 per share)						(800.1)			(800.1)	
Shares purchased				(8.3)	(313.0)				(313.0)	
Stock compensation plans (includes income tax benefits of $63.1)			3.2	12.0	346.3				349.5	
Unearned compensation related to restricted stock unit awards			(93.4)						(93.4)	
Earned compensation			108.3						108.3	
Addition of redeemable and noncontrolling interest from acquisitions								263.8	263.8	904.4
Increase (decrease) in fair value of redeemable interest			(29.5)						(29.5)	29.5
Distributions to noncontrolling interest holders								(5.2)	(5.2)	
Balance as of May 27, 2012	754.6	75.5	1,308.4	(106.1)	(3,177.0)	9,958.5	(1,743.7)	461.0	6,882.7	847.8
Total comprehensive income						1,488.9	199.7	23.8	1,712.4	48.8
Cash dividends declared ($0.99 per share)						(651.6)			(651.6)	
Shares purchased				(18.7)	(744.8)				(744.8)	
Stock compensation plans (includes income tax benefits of $89.8)			(38.6)	14.5	442.6				404.0	
Unearned compensation related to restricted stock unit awards			(79.6)						(79.6)	
Earned compensation			82.2						82.2	
Increase (decrease) in fair value of redeemable interest			(103.8)						(103.8)	103.8
Distributions to noncontrolling and redeemable interest holders								(22.1)	(22.1)	(16.2)
Balance as of Feb. 24, 2013	**754.6**	**$ 75.5**	**$ 1,168.6**	**(110.3)**	**$ (3,479.2)**	**$ 10,795.8**	**$ (1,544.0)**	**$ 462.7**	**$ 7,479.4**	**$ 984.2**

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows

GENERAL MILLS, INC. AND SUBSIDIARIES

(Unaudited) (In Millions)

	Nine-Month Period Ended	
	Feb. 24, 2013	**Feb. 26, 2012**
Cash Flows - Operating Activities		
Net earnings, including earnings attributable to redeemable and noncontrolling interests	**$ 1,515.7**	$ 1,254.3
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	**432.3**	398.8
After-tax earnings from joint ventures	**(77.3)**	(72.7)
Distributions of earnings from joint ventures	**65.1**	43.2
Stock-based compensation	**82.2**	88.4
Deferred income taxes	**(25.0)**	49.9
Tax benefit on exercised options	**(89.8)**	(58.7)
Pension and other postretirement benefit plan contributions	**(17.6)**	(15.5)
Pension and other postretirement benefit plan costs	**97.8**	58.4
Restructuring, impairment, and other exit costs	**(47.8)**	(2.6)
Changes in current assets and liabilities, excluding the effects of acquisitions	**264.5**	66.7
Other, net	**(54.4)**	(148.6)
Net cash provided by operating activities	**2,145.7**	1,661.6
Cash Flows - Investing Activities		
Purchases of land, buildings, and equipment	**(412.2)**	(423.9)
Acquisitions, net of cash acquired	**(900.8)**	(900.1)
Investments in affiliates, net	**(3.2)**	(22.1)
Proceeds from disposal of land, buildings, and equipment	**22.3**	1.4
Exchangeable note	**16.2**	(131.6)
Other, net	**(3.5)**	6.6
Net cash used by investing activities	**(1,281.2)**	(1,469.7)
Cash Flows - Financing Activities		
Change in notes payable	**36.0**	384.9
Issuance of long-term debt	**1,000.0**	1,390.5
Payment of long-term debt	**(541.9)**	(1,439.3)
Proceeds from common stock issued on exercised options	**257.6**	208.5
Tax benefit on exercised options	**89.8**	58.7
Purchases of common stock for treasury	**(744.8)**	(312.5)
Dividends paid	**(651.6)**	(599.5)
Distributions to noncontrolling and redeemable interest holders	**(38.3)**	(4.4)
Other, net	**(6.1)**	(8.4)
Net cash used by financing activities	**(599.3)**	(321.5)
Effect of exchange rate changes on cash and cash equivalents	**14.8**	(4.7)

Increase (decrease) in cash and cash equivalents	**280.0**	(134.3)
Cash and cash equivalents - beginning of year	**471.2**	619.6
Cash and cash equivalents - end of period	**$ 751.2**	$ 485.3
Cash Flow from Changes in Current Assets and Liabilities, excluding the effects of acquisitions:		
Receivables	**$ (176.8)**	$ (115.0)
Inventories	**(19.7)**	111.8
Prepaid expenses and other current assets	**49.0**	146.4
Accounts payable	**63.7**	(76.8)
Other current liabilities	**348.3**	0.3
Changes in current assets and liabilities	**$ 264.5**	$ 66.7

See accompanying notes to consolidated financial statements.

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GENERAL MILLS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(1) Background

The accompanying Consolidated Financial Statements of General Mills, Inc. (we, us, our, General Mills, or the Company) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the rules and regulations for reporting on Form 10-Q. Accordingly, they do not include certain information and disclosures required for comprehensive financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal recurring nature, including the elimination of all intercompany transactions and any noncontrolling and redeemable interests share of those transactions. Operating results for the quarterly and nine-month periods ended February 24, 2013 are not necessarily indicative of the results that may be expected for the fiscal year ending May 26, 2013.

These statements should be read in conjunction with the Consolidated Financial Statements and footnotes included in our Annual Report on Form 10-K for the fiscal year ended May 27, 2012. The accounting policies used in preparing these Consolidated Financial Statements are the same as those described in Note 2 to the Consolidated Financial Statements in that Form 10-K. Certain reclassifications to our previously reported financial information have been made to conform to the current period presentation.

(2) Acquisitions

On August 1, 2012, we acquired Yoki Alimentos S.A. (Yoki), a privately held food company headquartered in Sao Bernardo do Campo, Brazil, for an aggregate purchase price of $939.8 million, including $88.8 million of non-cash consideration for net debt assumed. Yoki operates in several food categories, including snacks, convenient meals, basic foods, and seasonings. We consolidated Yoki into our Consolidated Balance Sheets and recorded goodwill of $366.6 million. Indefinite lived intangible assets acquired include brands of $253.0 million. Finite lived intangible assets acquired primarily include customer relationships of $17.5 million. As of the date of the acquisition, the pro forma effects of this acquisition were not material.

We have conducted a preliminary assessment of certain assets and liabilities related to the acquisition of Yoki. We are continuing our review of these items during the measurement period, and if new information is obtained about facts and circumstances that existed at the acquisition date, the acquisition accounting will be revised to reflect the resulting adjustments to current estimates of these items. During the third quarter of fiscal 2013, we recorded adjustments to certain purchase accounting assets and liabilities that resulted in an $8.3 million net increase in goodwill.

During the first quarter of fiscal 2012, we acquired a 51 percent controlling interest in Yoplait S.A.S. and a 50 percent interest in Yoplait Marques S.A.S. from PAI Partners and Sodiaal International (Sodiaal) for an aggregate purchase price of $1.2 billion, including $261.3 million of non-cash consideration for debt assumed. We consolidated both entities into our Consolidated Balance Sheets and recorded goodwill of $1.5 billion. Indefinite lived intangible assets acquired primarily include brands of $476.0 million. Finite lived intangible assets acquired primarily include franchise agreements of $440.2 million and customer relationships of $107.3 million. In addition, we purchased a zero coupon exchangeable note due in 2016 from Sodiaal with a notional amount of $131.6 million and a fair value of $110.9 million. As of February 24, 2013, $16.2 million of the exchangeable note has been repaid. The pro forma effects of this acquisition were not material.

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(3) Restructuring, Impairment, and Other Exit Costs

Restructuring, impairment, and other exit costs were as follows:

	Quarter Ended		Nine-Month Period Ended	
In Millions	**Feb. 24, 2013**	**Feb. 26, 2012**	**Feb. 24, 2013**	**Feb. 26, 2012**
Charges associated with restructuring actions previously announced	**$ 6.1**	$ 0.1	**$ 18.0**	$ 0.9
Total	**$ 6.1**	$ 0.1	**$ 18.0**	$ 0.9

During the nine-month period ended February 24, 2013, we recorded a $16.7 million restructuring charge related to a productivity and cost savings plan approved in the fourth quarter of fiscal 2012. The plan was designed to improve organizational effectiveness and focus on key growth strategies, and included organizational changes to strengthen business alignment and actions to accelerate administrative efficiencies across all of our operating segments and support functions. During the nine-month period ended February 24, 2013, we recorded restructuring charges of $13.9 million related to our International segment, $2.0 million related to our U.S. Retail segment, and $0.8 million related to our Bakeries and Foodservice segment. In the nine-month period ended February 24, 2013, we paid $65.8 million in cash related to these restructuring actions. These restructuring actions are expected to be completed by the end of fiscal 2014.

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

In Millions	**Severance**	**Contract Termination**	**Other Exit Costs**	**Total**
Reserve balance as of May 27, 2012	$ 83.1	$ 2.7	$ 0.1	$ 85.9
2013 charges, including foreign currency translation	8.7			8.7
Utilized in 2013	(59.6)	(2.7)		(62.3)
Reserve balance as of Feb. 24, 2013	**$ 32.2**	**$**	**$ 0.1**	**$ 32.3**

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.

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(4) Goodwill and Other Intangible Assets

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

In Millions	Feb. 24, 2013	May 27, 2012
Goodwill	**$ 8,665.7**	$ 8,182.5
Other intangible assets:		
Intangible assets not subject to amortization:		
Brands and other indefinite-lived intangibles	**4,526.2**	4,217.1
Intangible assets subject to amortization:		
Franchise agreements, customer relationships, and other finite-lived intangibles	**616.0**	544.7
Less accumulated amortization	**(81.8)**	(56.9)
Intangible assets subject to amortization	**534.2**	487.8
Other intangible assets	**5,060.4**	4,704.9
Total	**$ 13,726.1**	$ 12,887.4

Based on the carrying value of finite-lived intangible assets as of February 24, 2013, annual amortization expense for each of the next five fiscal years is estimated to be approximately $31 million.

The changes in the carrying amount of goodwill during fiscal 2013 were as follows:

In Millions	U.S. Retail	International	Bakeries 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	374.1			402.3
Purchase accounting adjustments (a)		8.3			8.3
Other activity, primarily foreign currency translation		47.9		24.7	72.6
Balance as of Feb. 24, 2013	**$ 5,841.4**	**$ 1,420.2**	**$ 921.1**	**$ 483.0**	**$ 8,665.7**

(a) See Note 2.

The changes in the carrying amount of other intangible assets during fiscal 2013 were as follows:

In Millions	U.S. Retail	International	Joint 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	(3.4)	48.8	(0.6)	44.8
Balance as of Feb. 24, 2013	**$ 3,313.6**	**$ 1,683.6**	**$ 63.2**	**$ 5,060.4**

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(5) Inventories

The components of inventories were as follows:

In Millions	Feb. 24, 2013	May 27, 2012
Raw materials and packaging	**$ 400.5**	$ 334.4
Finished goods	**1,239.6**	1,211.8
Grain	**185.4**	155.3
Excess of FIFO over LIFO cost	**(219.1)**	(222.7)
Total	**$ 1,606.4**	$ 1,478.8

(6) 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 February 24, 2013, and May 27, 2012, a comparison of cost and market values of our marketable debt and equity securities is as follows:

	Cost		**Market Value**		**Gross Gains**		**Gross Losses**	
In Millions	**Feb. 24, 2013**	**May 27, 2012**	**Feb. 24, 2013**	**May 27, 2012**	**Feb. 24, 2013**	**May 27, 2012**	**Feb. 24, 2013**	**May 27, 2012**
Available-for-sale:								
Debt securities	**$ 67.8**	$ 52.2	**$ 68.0**	$ 52.3	**$ 0.2**	$ 0.1	**$**	$
Equity securities	**1.8**	1.8	**6.1**	5.3	**4.3**	3.5		
Total	**$ 69.6**	$ 54.0	**$ 74.1**	$ 57.6	**$ 4.5**	$ 3.6	**$**	$

For the third quarter of fiscal 2013, there were no 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 accumulated other comprehensive loss (AOCI) within stockholders equity. Scheduled maturities of our marketable securities are as follows:

	Available-for-Sale	
In Millions	**Cost**	**Market Value**
Under 1 year (current)	$ 63.8	$ 63.9
From 1 to 3 years	1.9	1.9
From 4 to 7 years	2.1	2.2
Equity securities	1.8	6.1
Total	$ 69.6	$ 74.1

Marketable securities with a market value of $2.3 million as of February 24, 2013, were pledged as collateral for certain derivative contracts.

The fair values and carrying amounts of long-term debt, including the current portion, were $8,072.3 million and $7,375.9 million, respectively, as of February 24, 2013. 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.

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

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

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

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

Unallocated corporate items for the quarterly and nine-month periods ended February 24, 2013, and February 26, 2012, included:

	Quarter Ended		Nine-Month Period Ended	
	Feb. 24,	**Feb. 26,**	**Feb. 24,**	**Feb. 26,**
In Millions	**2013**	**2012**	**2013**	**2012**
Net gain (loss) on mark-to-market valuation of commodity positions	**$ (21.9)**	$ 20.5	**$ 14.4**	$ (88.0)
Net (gain) loss on commodity positions reclassified from unallocated corporate items to segment operating profit	**2.1**	23.3	**(1.3)**	22.5
Net mark-to-market revaluation of certain grain inventories	**(5.3)**	2.6	**(4.5)**	(20.2)
Net mark-to-market valuation of certain commodity positions recognized in unallocated corporate items	**$ (25.1)**	$ 46.4	**$ 8.6**	$ (85.7)

As of February 24, 2013, the net notional value of commodity derivatives was $188.5 million, of which $96.8 million related to energy inputs and $91.7 million related to agricultural inputs. These contracts relate to inputs that generally will be utilized within the next 18 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.

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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 for the quarterly and nine-month periods ended February 24, 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 less than $1 million for the quarter ended February 24, 2013 and a gain of $1.2 million for the nine-month period ended February 24, 2013.

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.

During the second quarter of fiscal 2013, in advance of a planned debt refinancing, we entered into $200.0 million of treasury locks with an average fixed rate of 2.82 percent. All of these treasury locks were cash settled for $11.8 million during the third quarter of fiscal 2013, coincident with the issuance of our $500.0 million 30-year fixed-rate notes. As of February 24, 2013, an $11.8 million pre-tax gain remained in AOCI, which will be reclassified to earnings over the term of the underlying debt.

During the fourth quarter of fiscal 2011, first quarter of fiscal 2012 and second quarter of fiscal 2012, we entered into $500.0 million, $300.0 million, and $200.0 million of forward starting swaps with average fixed rates of 3.9 percent, 2.7 percent, and 2.4 percent, respectively, in advance of a planned debt financing. All of these forward starting swaps were cash settled for $100.4 million coincident with the issuance of our $1.0 billion 10-year fixed rate notes in November 2011. As of February 24, 2013, an $87.2 million pre-tax loss remained in AOCI, which will be reclassified to earnings over the term of the underlying debt.

During the fourth quarter of fiscal 2011, we entered into swaps to convert $300.0 million of 1.55 percent fixed-rate notes due May 16, 2014, to floating rates.

As of February 24, 2013, a $15.3 million pre-tax loss on cash settled interest rate derivatives for our $500.0 million 30-year fixed rate notes issued June 1, 2010 remained in AOCI, which will be reclassified to earnings over the term of the underlying debt.

As of February 24, 2013, a $8.8 million pre-tax loss on cash settled interest rate swaps for our $1.0 billion 10-year fixed rate notes issued January 24, 2007 remained in AOCI, which will be reclassified to earnings over the term of the underlying debt.

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

In Millions	**Feb. 24, 2013**	**May 27, 2012**
Pay-floating swaps - notional amount	**$ 550.0**	$ 834.6
Average receive rate	**1.1%**	1.7%
Average pay rate	**0.4%**	0.3%

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The swap contracts mature at various dates from fiscal 2014 to 2016 as follows:

In Millions	Pay Floating	Pay Fixed
2014	$ 300.0	$
2015		
2016	250.0	
Total	$ 550.0	$

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

As of February 24, 2013, the net notional value of foreign exchange derivatives was $939.6 million. The amount of hedge ineffectiveness was less than $1 million for the quarterly and nine-month periods ended February 24, 2013.

We also have many net investments in foreign subsidiaries that are denominated in euros. We previously hedged a portion of these net investments by issuing euro-denominated commercial paper and foreign exchange forward contracts. As of February 24, 2013, we had deferred net foreign currency transaction losses of $95.7 million in AOCI associated with hedging activity.

Equity Instruments. Equity price movements affect our compensation expense as certain investments made by our employees in our deferred compensation plan are revalued. We use equity swaps to manage this risk. As of February 24, 2013, the net notional value of our equity swaps was $53.8 million. These swap contracts mature in fiscal 2014.

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Fair Value Measurements and Financial Statement Presentation

The fair values of our assets, liabilities, and derivative positions recorded at fair value and their respective levels in the fair value hierarchy as of February 24, 2013 and May 27, 2012, were as follows:

	Feb. 24, 2013 Fair Values of Assets				Feb. 24, 2013 Fair Values of Liabilities			
In Millions	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivatives designated as hedging instruments:								
Interest rate contracts (a) (b)	**$**	**$ 3.6**	**$**	**$ 3.6**	**$**	**$**	**$**	**$**
Foreign exchange contracts (c) (d)		**20.5**		**20.5**		**(1.6)**		**(1.6)**
Total		**24.1**		**24.1**		**(1.6)**		**(1.6)**
Derivatives not designated as hedging instruments:								
Foreign exchange contracts (c) (d)		**5.6**		**5.6**		**(0.4)**		**(0.4)**
Equity contracts (a) (e)						**(0.3)**		**(0.3)**
Commodity contracts (c) (e)	**0.2**	**4.7**		**4.9**		**(12.6)**		**(12.6)**
Grain contracts (c) (e)		**9.4**		**9.4**		**(31.1)**		**(31.1)**
Total	**0.2**	**19.7**		**19.9**		**(44.4)**		**(44.4)**
Other assets and liabilities reported at fair value:								
Marketable investments (a) (f)	**6.1**	**68.0**		**74.1**				
Total	**6.1**	**68.0**		**74.1**				
Total assets, liabilities, and derivative positions recorded at fair value	**$ 6.3**	**$ 111.8**	**$**	**$ 118.1**	**$**	**$ (46.0)**	**$**	**$ (46.0)**

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

(b) Based on LIBOR and swap rates.

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

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

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

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

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In Millions	May 27, 2012 Fair Values of Assets Level 1	Level 2	Level 3	Total	May 27, 2012 Fair Values of Liabilities Level 1	Level 2	Level 3	Total
Derivatives designated as hedging instruments:								
Interest rate contracts (a) (b)	$	$ 5.7	$	$ 5.7	$	$	$	$
Foreign exchange contracts (c) (d)		11.5		11.5		(18.8)		(18.8)
Total		17.2		17.2		(18.8)		(18.8)
Derivatives not designated as hedging instruments:								
Interest rate contracts (a) (b)		0.5		0.5				
Foreign exchange contracts (c) (d)		6.6		6.6		(1.1)		(1.1)
Equity contracts (a) (e)						(0.1)		(0.1)
Commodity contracts (c) (e)	8.0	1.0		9.0		(15.1)		(15.1)
Grain contracts (c) (e)		8.3		8.3		(20.6)		(20.6)
Total	8.0	16.4		24.4		(36.9)		(36.9)
Other assets and liabilities reported at fair value:								
Marketable investments (a) (f)	5.3	52.3		57.6				
Total	5.3	52.3		57.6				
Total assets, liabilities, and derivative positions recorded at fair value	$ 13.3	$ 85.9	$	$ 99.2	$	$ (55.7)	$	$ (55.7)

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

(b) Based on LIBOR and swap rates.

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

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

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

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

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

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Information related to our cash flow hedges, fair value hedges, and other derivatives not designated as hedging instruments for the quarterly and nine-month periods ended February 24, 2013 and February 26, 2012, were as follows:

	Interest Rate Contracts		Foreign Exchange Contracts		Equity Contracts		Commodity Contracts		Total	
	Quarter Ended		Quarter Ended		Quarter Ended		Quarter Ended		Quarter Ended	
	Feb. 24,	Feb. 26,	Feb. 24,	Feb. 26,	Feb. 24,	Feb. 26,	Feb. 24,	Feb. 26,	Feb. 24,	Feb. 26,
In Millions	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Derivatives in Cash Flow Hedging Relationships:										
Amount of gain (loss) recognized in other comprehensive income (OCI) (a)	**$ 10.2**	$	**$ 22.3**	$ (13.0)	**$**	$	**$**	$	**$ 32.5**	$ (13.0)
Amount of loss reclassified from AOCI into earnings (a) (b)	**(3.1)**	(3.1)	**(1.4)**	(1.7)					**(4.5)**	(4.8)
Amount of gain (loss) recognized in earnings (c)	**0.2**		**0.2**	(2.4)					**0.4**	(2.4)
Derivatives in Fair Value Hedging Relationships:										
Amount of net loss recognized in earnings (d)		(0.5)								(0.5)
Derivatives Not Designated as Hedging Instruments:										
Amount of gain (loss) recognized in earnings (d)			**7.0**	(15.8)	**4.0**	2.3	**(21.9)**	20.5	**(10.9)**	7.0

(a) Effective portion.

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

(c) All gain (loss) recognized in earnings is related to the ineffective portion of the hedging relationship, including SG&A expenses for foreign exchange contracts. No amounts were reported as a result of being excluded from the assessment of hedge effectiveness.

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

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In Millions	Interest Rate Contracts Nine-Month Period Ended Feb. 24, 2013	Feb. 26, 2012	Foreign Exchange Contracts Nine-Month Period Ended Feb. 24, 2013	Feb. 26, 2012	Equity Contracts Nine-Month Period Ended Feb. 24, 2013	Feb. 26, 2012	Commodity Contracts Nine-Month Period Ended Feb. 24, 2013	Feb. 26, 2012	Total Nine-Month Period Ended Feb. 24, 2013	Feb. 26, 2012
Derivatives in Cash Flow Hedging Relationships:										
Amount of gain (loss) recognized in other comprehensive income (OCI) (a)	**$ 11.8**	$ (78.6)	**$ 16.3**	$ (2.0)	**$**	$	**$**	$	**$ 28.1**	$ (80.6)
Amount of loss reclassified from AOCI into earnings (a) (b)	**(9.4)**	(5.0)	**(9.4)**	(6.8)					**(18.8)**	(11.8)
Amount of gain (loss) recognized in earnings (c)		(0.5)	**0.3**	(2.4)					**0.3**	(2.9)
Derivatives in Fair Value Hedging Relationships:										
Amount of net gain (loss) recognized in earnings (d)	**1.2**	(0.7)							**1.2**	(0.7)
Derivatives Not Designated as Hedging Instruments:										
Amount of gain (loss) recognized in earnings (d)			**8.7**	2.1	**8.2**	2.3	**14.4**	(88.0)	**31.3**	(83.6)

(a) Effective portion.

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

(c) All gain (loss) recognized in earnings is related to the ineffective portion of the hedging relationship, including SG&A expenses for foreign exchange contracts. No amounts were reported as a result of being excluded from the assessment of hedge effectiveness.

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

Amounts Recorded in Accumulated Other Comprehensive Loss. Unrealized losses from interest rate cash flow hedges recorded in AOCI as of February 24, 2013, totaled $61.8 million after tax. These deferred losses are primarily related to interest rate swaps we entered into in contemplation of future borrowings and other financing requirements and are being reclassified into net interest over the lives of the hedged forecasted transactions. Unrealized gains from foreign currency cash flow hedges recorded in AOCI as of February 24, 2013, were $14.6 million after-tax. The net amount of pre-tax gains and losses in AOCI as of February 24, 2013, that we expect to be reclassified into net earnings within the next 12 months is $4.6 million of income.

Credit-Risk-Related Contingent Features. Certain of our derivative instruments contain provisions that require us to maintain an investment grade credit rating on our debt from each of the major credit rating agencies. If our debt were to fall below investment grade, the counterparties to the derivative instruments could request full collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position on February 24, 2013, was $8.7 million. We would be required to post this amount of collateral to the counterparties if the contingent features were triggered.

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

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The amount of loss due to the credit risk of the counterparties, should the counterparties fail to perform according to the terms of the contracts, is $27.2 million against which we do not hold any collateral. Under the terms of master swap agreements, some of our transactions require collateral or other security to support financial instruments subject to threshold levels of exposure and counterparty credit risk. Collateral assets are either cash or U.S. Treasury instruments and are held in a trust account that we may access if the counterparty defaults.

We offer certain suppliers access to a third party service that allows them to view our scheduled payments online. The third party service also allows suppliers to finance advances on our scheduled payments at the sole discretion of the supplier and the third party. We have no economic interest in these financing arrangements and no direct relationship with the suppliers, the third party, or any financial institutions concerning this service. All of our accounts payable remain as obligations to our suppliers as stated in our supplier agreements. As of February 24, 2013, $120.2 million of our total accounts payable is payable to suppliers who utilize this third party service.

(7) Debt

The components of notes payable were as follows:

In Millions	Feb. 24, 2013	May 27, 2012
U.S. commercial paper	**$ 596.7**	$ 412.0
Financial institutions	**86.0**	114.5
Total	**$ 682.7**	$ 526.5

To ensure availability of funds, we maintain bank credit lines sufficient to cover our outstanding short-term borrowings. Commercial paper is a continuing source of short-term financing. We have commercial paper programs available to us in the United States and Europe. We have $2.7 billion of fee-paid committed credit lines, consisting of a $1.0 billion facility scheduled to expire in April 2015 and a $1.7 billion facility scheduled to expire in April 2017. We also have $364.9 million in uncommitted credit lines that support our foreign operations. As of February 24, 2013, there were no amounts outstanding on the fee-paid committed credit lines and $86.0 million was drawn on the uncommitted lines.

In January 2013, we issued $750.0 million aggregate principal amount of fixed rate notes. The issuance consisted of $250.0 million 0.875 percent notes due January 29, 2016 and $500.0 million 4.15 percent notes due February 15, 2043. Interest on the fixed-rate notes is payable semi-annually in arrears. The fixed rate notes due January 29, 2016 may be redeemed in whole, or in part, at our option at any time for a specified make whole amount. The fixed rate notes due February 15, 2043 may be redeemed in whole, or in part, at our option at any time prior to August 15, 2042 for a specified make whole amount and any time on or after that date at par. These notes are senior unsecured obligations that include a change of control repurchase provision. The net proceeds were used to reduce our commercial paper borrowings.

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

On September 10, 2012, we repaid $520.8 million of 5.65 percent notes. In February 2012, we repaid $1.0 billion of 6.0 percent notes. In November 2011, we issued $1.0 billion aggregate principal amount of 3.15 percent notes due December 15, 2021. The net proceeds were used to repay a portion of our notes due February 2012, reduce our commercial paper borrowings, and for general corporate purposes. Interest on these notes is payable semi-annually in arrears. These notes may be redeemed at our option at any time prior to September 15, 2021 for a specified make whole amount and any time on or after that date at par. These notes are senior unsecured, unsubordinated obligations that include a change of control repurchase provision.

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As part of our acquisition of Yoplait S.A.S. in fiscal 2012, we consolidated $457.9 million of primarily euro-denominated Euribor-based floating-rate bank debt. In December 2011, we refinanced this debt with $390.5 million of euro-denominated Euribor-based floating-rate bank debt due at various dates through December 15, 2014.

Certain of our long-term debt agreements contain restrictive covenants. As of February 24, 2013, we were in compliance with all of these covenants.

(8) Redeemable and Noncontrolling Interests

We have a 51 percent controlling interest in Yoplait S.A.S. and a 50 percent interest in Yoplait Marques S.A.S. Sodiaal holds the remaining interests in each of the entities. On the acquisition date in fiscal 2012, we recorded the $904.4 million fair value of Sodiaal s 49 percent euro-denominated interest in Yoplait S.A.S. as a redeemable interest on our Consolidated Balance Sheets. Sodiaal has the ability to put a limited portion of its redeemable interest to us once per year at fair value up to a maximum of 9 years. We adjust the value of the redeemable interest through additional paid-in capital on our Consolidated Balance Sheets quarterly to the redeemable interest s redemption value, which approximates its fair value. Yoplait S.A.S. pays dividends annually if it meets certain financial metrics set forth in its shareholders agreement. As of February 24, 2013, the redemption value of the euro-denominated redeemable interest was $984.2 million.

In addition, a subsidiary of Yoplait S.A.S. has entered into an exclusive milk supply agreement for its European operations with Sodiaal at market-determined prices through July 1, 2021. Net purchases totaled $200.0 million for the nine-month period ended February 24, 2013, and $178.2 million for the nine-month period ended February 26, 2012.

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

During the nine-month period ended February 24, 2013, we paid $32.5 million of dividends to Sodiaal under the terms of the Yoplait S.A.S. and Yoplait Marques shareholder agreements.

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

The holder of the GMC Class A Interests receives quarterly preferred distributions from available net income based on the application of a floating preferred return rate, currently equal to the sum of three-month LIBOR plus 110 basis points, to the holder s capital account balance established in the most recent mark-to-market valuation (currently $251.5 million). The preferred return rate is adjusted every three years through a negotiated agreement with the Class A Interest holder or through a remarketing auction.

Our noncontrolling interests contain restrictive covenants. As of February 24, 2013, we were in compliance with all of these covenants.

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(9) Stockholders Equity

The following table provides details of total comprehensive income (loss):

	Quarter Ended Feb. 24, 2013					Quarter Ended Feb. 26, 2012				
	General Mills			Noncontrolling Interests	Redeemable Interest	General Mills			Noncontrolling Interests	Redeemable Interest
In Millions	**Pretax**	**Tax**	**Net**	**Net**	**Net**	**Pretax**	**Tax**	**Net**	**Net**	**Net**
Net earnings, including earnings attributable to redeemable and noncontrolling interests			**$ 398.4**	**$ 4.2**	**$ 10.0**			$ 391.5	$ 2.7	$ 6.6
Other comprehensive income (loss):										
Foreign currency translation	**$ 11.2**	**$**	**11.2**	**5.9**	**(3.1)**	$ 79.0	$	79.0	5.5	18.0
Other fair value changes:										
Securities	**0.3**	**(0.1)**	**0.2**			0.9	(0.4)	0.5		
Hedge derivatives	**29.7**	**(9.1)**	**20.6**		**2.1**	(11.0)	1.5	(9.5)		(1.5)
Reclassification to earnings:										
Hedge derivatives (a)	**3.7**	**(1.0)**	**2.7**		**0.5**	3.7	(1.4)	2.3		0.8
Amortization of losses and prior service costs (b)	**39.9**	**(15.3)**	**24.6**			32.9	(12.5)	20.4		
Other comprehensive income (loss)	**$ 84.8**	**$ (25.5)**	**59.3**	**5.9**	**(0.5)**	$ 105.5	$ (12.8)	92.7	5.5	17.3
Total comprehensive income			**$ 457.7**	**$ 10.1**	**$ 9.5**			$ 484.2	$ 8.2	$ 23.9

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

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

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	Nine-Month Period Ended Feb. 24, 2013					Nine-Month Period Ended Feb. 26, 2012				
	General Mills			Noncontrolling Interests	Redeemable Interest	General Mills			Noncontrolling Interests	Redeemable Interest
In Millions	**Pretax**	**Tax**	**Net**	**Net**	**Net**	**Pretax**	**Tax**	**Net**	**Net**	**Net**
Net earnings, including earnings attributable to redeemable and noncontrolling interests			**$ 1,488.9**	**$ 6.5**	**$ 20.3**			$ 1,241.9	$ 3.6	$ 8.8
Other comprehensive income (loss):										
Foreign currency translation	**$ 96.9**	**$**	**96.9**	**17.3**	**24.3**	$ (121.6)	$	(121.6)	(26.8)	(52.9)
Other fair value changes:										
Securities	**0.8**	**(0.2)**	**0.6**			0.2	(0.1)	0.1		
Hedge derivatives	**25.3**	**(8.7)**	**16.6**		**2.1**	(78.1)	30.6	(47.5)		(1.9)
Reclassification to earnings:										
Hedge derivatives (a)	**15.9**	**(4.4)**	**11.5**		**2.1**	10.7	(4.1)	6.6		0.8
Amortization of losses and prior service costs (b)	**119.9**	**(45.8)**	**74.1**			98.7	(37.4)	61.3		
Other comprehensive income (loss)	**$ 258.8**	**$ (59.1)**	**199.7**	**17.3**	**28.5**	$ (90.1)	$ (11.0)	(101.1)	(26.8)	(54.0)
Total comprehensive income (loss)			**$ 1,688.6**	**$ 23.8**	**$ 48.8**			$ 1,140.8	$ (23.2)	$ (45.2)

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

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

Except for reclassifications to earnings, changes in other comprehensive income (loss) are primarily non-cash items.

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

In Millions	**Feb. 24, 2013**	**May 27, 2012**
Foreign currency translation adjustments	**$ 379.8**	$ 282.9
Unrealized gain (loss) from:		
Securities	**2.4**	1.8
Hedge derivatives	**(47.2)**	(75.3)
Pension, other postretirement, and postemployment benefits:		
Net actuarial loss	**(1,874.0)**	(1,945.9)
Prior service costs	**(5.0)**	(7.2)
Accumulated other comprehensive loss	**$ (1,544.0)**	$ (1,743.7)

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(10) Stock Plans

We have various stock-based compensation programs under which awards, including stock options, restricted stock, and restricted stock units, may be granted to employees and non-employee directors. These programs and related accounting are described on pages 78 to 80 of our Annual Report on Form 10-K for the fiscal year ended May 27, 2012.

Compensation expense related to stock-based payments recognized in the Consolidated Statements of Earnings was as follows:

	Quarter Ended		Nine-Month Period Ended	
	Feb. 24,	Feb. 26,	Feb. 24,	Feb. 26,
In Millions	**2013**	**2012**	**2013**	**2012**
Compensation expense related to stock-based payments	**$ 40.5**	$ 31.3	**$ 114.1**	$ 115.2

As of February 24, 2013, unrecognized compensation expense related to non-vested stock options and restricted stock units was $130.7 million. This expense will be recognized over 19 months, on average.

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

	Nine-Month Period Ended	
	Feb. 24,	Feb. 26,
In Millions	**2013**	**2012**
Net cash proceeds	**$ 257.6**	$ 208.5
Intrinsic value of options exercised	**$ 247.4**	$ 138.4

We estimate the fair value of each option on the grant date using a Black-Scholes option-pricing model. Black-Scholes option-pricing models require us to make predictive assumptions regarding future stock price volatility, employee exercise behavior, and dividend yield. We estimate our future stock price volatility using the historical volatility over the expected term of the option, excluding time periods of volatility we believe a marketplace participant would exclude in estimating our stock price volatility. We also have considered, but did not use, implied volatility in our estimate, because trading activity in options on our stock, especially those with tenors of greater than 6 months, is insufficient to provide a reliable measure of expected volatility. Our method of selecting the other valuation assumptions is explained on pages 78 and 79 in our Annual Report on Form 10-K for the fiscal year ended May 27, 2012.

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

	Nine-Month Period Ended	
	Feb. 24,	Feb. 26,
	2013	**2012**
Estimated fair values of stock options granted	**$ 3.65**	$ 5.88
Assumptions:		
Risk-free interest rate	**1.6%**	2.9%
Expected term	**9.0 years**	8.5 years
Expected volatility	**17.3%**	17.6%

Dividend yield	**3.5%**	3.3%

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Information on stock option activity follows:

	Options Outstanding (Thousands)	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Millions)
Balance as of May 27, 2012	60,942.7	$ 27.96		
Granted	3,407.7	38.15		
Exercised	(14,473.2)	23.34		
Forfeited or expired	(131.3)	33.91		
Outstanding as of Feb. 24, 2013	**49,745.9**	**$ 29.99**	**5.15**	**$ 780.2**
Exercisable as of Feb. 24, 2013	**31,335.6**	**$ 27.48**	**3.71**	**$ 570.0**

Information on restricted stock unit activity follows:

	Equity Classified		Liability Classified			
	Share-Settled Units (Thousands)	Weighted-Average Grant-Date Fair Value	Share-Settled Units (Thousands)	Weighted-Average Grant-Date Fair Value	Cash-Settled Share-Based Units (Thousands)	Weighted-Average Grant-Date Fair Value
Non-vested as of May 27, 2012	8,551.8	$ 33.79	397.1	$ 32.68	3,991.5	$ 31.58
Granted	2,327.8	38.36	74.5	38.15		
Vested	(2,402.5)	31.73	(66.7)	31.68	(1,604.4)	31.64
Forfeited	(313.5)	36.34	(7.7)	35.65	(60.8)	32.57
Non-vested as of Feb. 24, 2013	**8,163.6**	**$ 35.76**	**397.2**	**$ 35.51**	**2,326.3**	**$ 30.68**

The total grant-date fair value of restricted stock unit awards that vested in the nine-month period ended February 24, 2013 was $129.1 million, and restricted stock units with a grant-date fair value of $98.2 million vested in the nine-month period ended February 26, 2012.

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(11) Earnings Per Share

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

	Quarter Ended		Nine-Month Period Ended	
	Feb. 24,	Feb. 26,	Feb. 24,	Feb. 26,
In Millions, Except per Share Data	**2013**	**2012**	**2013**	**2012**
Net earnings attributable to General Mills	**$ 398.4**	$ 391.5	**$ 1,488.9**	$ 1,241.9
Average number of common shares - basic EPS	**648.5**	647.9	**649.0**	647.4
Incremental share effect from: (a)				
Stock options	**10.9**	14.4	**11.7**	14.5
Restricted stock, restricted stock units, and other	**5.7**	5.0	**5.0**	4.6
Average number of common shares - diluted EPS	**665.1**	667.3	**665.7**	666.5
Earnings per share - basic	**$ 0.61**	$ 0.61	**$ 2.29**	$ 1.92
Earnings per share - diluted	**$ 0.60**	$ 0.58	**$ 2.24**	$ 1.86

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

	Quarter Ended		Nine-Month Period Ended	
	Feb. 24,	Feb. 26,	Feb. 24,	Feb. 26,
In Millions	**2013**	**2012**	**2013**	**2012**
Anti-dilutive stock options and restricted stock units		2.8	**9.6**	5.7

(12) Share Repurchases

During the third quarter of fiscal 2013, we repurchased 6.4 million shares of common stock for an aggregate purchase price of $265.6 million. During the nine-month period ended February 24, 2013, we repurchased 18.7 million shares of common stock for an aggregate purchase price of $744.8 million.

During the third quarter of fiscal 2012, we repurchased 2.6 million shares of common stock for an aggregate purchase price of $101.7 million. During the nine-month period ended February 26, 2012, we repurchased 8.3 million shares of common stock for an aggregate purchase price of $312.5 million.

(13) Statements of Cash Flows

During the nine-month period ended February 24, 2013, we made net cash interest payments of $266.8 million, compared to $296.6 million in the same period last year. Also, in the nine-month period ended February 24, 2013, we made tax payments of $491.3 million, compared to $508.5 million in the same period last year. In addition, in the second quarter of fiscal 2013, we acquired Yoki for $939.8 million, including $119.9 million of non-cash consideration for debt assumed. In the first quarter of fiscal 2012, we acquired interests in Yoplait S.A.S. and Yoplait Marques S.A.S. for $1.2 billion, including $261.3 million of non-cash consideration for debt assumed.

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(14) Retirement and Postemployment Benefits

Components of net pension, other postretirement, and postemployment expense were as follows:

	Defined Benefit Pension Plans Quarter Ended		Other Postretirement Benefit Plans Quarter Ended		Postemployment Benefit Plans Quarter Ended	
	Feb. 24,	Feb. 26,	Feb. 24,	Feb. 26,	Feb. 24,	Feb. 26,
In Millions	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Service cost	**$ 31.1**	$ 28.6	**$ 5.2**	$ 4.5	**$ 1.9**	$ 1.8
Interest cost	**59.4**	59.5	**13.0**	13.9	**1.1**	1.2
Expected return on plan assets	**(107.0)**	(110.0)	**(8.0)**	(8.9)		
Amortization of losses	**33.9**	27.0	**4.3**	3.7	**0.5**	0.4
Amortization of prior service costs (credits)	**1.6**	2.1	**(0.9)**	(0.9)	**0.5**	0.6
Other adjustments					**2.8**	2.3
Net expense	**$ 19.0**	$ 7.2	**$ 13.6**	$ 12.3	**$ 6.8**	$ 6.3

	Defined Benefit Pension Plans Nine-Month Period Ended		Other Postretirement Benefit Plans Nine-Month Period Ended		Postemployment Benefit Plans Nine-Month Period Ended	
	Feb. 24,	Feb. 26,	Feb. 24,	Feb. 26,	Feb. 24,	Feb. 26,
In Millions	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Service cost	**$ 93.4**	$ 85.7	**$ 15.8**	$ 13.5	**$ 5.8**	$ 5.6
Interest cost	**178.1**	178.5	**38.9**	41.7	**3.3**	3.6
Expected return on plan assets	**(321.2)**	(330.2)	**(24.1)**	(26.6)		
Amortization of losses	**101.9**	81.1	**12.9**	10.9	**1.6**	1.3
Amortization of prior service costs (credits)	**4.7**	6.4	**(2.6)**	(2.6)	**1.4**	1.6
Other adjustments					**8.3**	6.9
Net expense	**$ 56.9**	$ 21.5	**$ 40.9**	$ 36.9	**$ 20.4**	$ 19.0

(15) Contingencies

We are party to various pending or threatened legal actions in the ordinary course of our business. In our opinion, there were no claims or litigation pending as of February 24, 2013, that were reasonably likely to have a material adverse effect on our consolidated financial position or results of operations. These matters include a class action lawsuit filed on January 14, 2010, in the United States District Court, Central District of California, alleging that we made false and misleading claims about the digestive health benefits of our *YoPlus* yogurt product. We believe that we have meritorious defenses against these allegations and will vigorously defend our position.

(16) Income Taxes

During the first quarter of fiscal 2013, in conjunction with the consent of the Class A investor, we restructured GMC through the distribution of its manufacturing assets, stock, inventory, cash and certain intellectual property to a wholly owned subsidiary. GMC retained the remaining intellectual property. Immediately following this restructuring, the Class A Interests were sold by the then current holder to another unrelated third party investor. As a result of these transactions, we recorded a $66.7 million decrease to deferred income tax liabilities related to the tax basis of the investment in GMC and certain distributed assets, with a corresponding discrete non-cash reduction to income taxes in the first quarter of fiscal 2013.

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(17) Business Segment Information

We operate in the consumer foods industry. We have three operating segments by type of customer and geographic region as follows: U.S. Retail; International; and Bakeries and Foodservice.

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

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

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

Operating profit for these segments excludes unallocated corporate items and restructuring, impairment, and other exit costs. Unallocated corporate items include corporate overhead expenses, variances to planned domestic employee benefits and incentives, contributions to the General Mills Foundation, and other items that are not part of our measurement of segment operating performance. These include gains and losses arising from the revaluation of certain grain inventories and gains and losses from mark-to-market valuation of certain commodity positions until passed back to our operating segments. These items affecting operating profit are centrally managed at the corporate level and are excluded from the measure of segment profitability reviewed by executive management. Under our supply chain organization, our manufacturing, warehouse, and distribution activities are substantially integrated across our operations in order to maximize efficiency and productivity. As a result, fixed assets and depreciation and amortization expenses are neither maintained nor available by operating segment.

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Our operating segment results were as follows:

	Quarter Ended		Nine-Month Period Ended	
	Feb. 24,	Feb. 26,	Feb. 24,	Feb. 26,
In Millions	**2013**	**2012**	**2013**	**2012**
Net sales:				
U.S. Retail	**$ 2,664.6**	$ 2,609.4	**$ 8,143.5**	$ 8,058.0
International	**1,296.1**	1,041.3	**3,762.8**	3,060.9
Bakeries and Foodservice	**469.9**	469.4	**1,457.1**	1,472.6
Total	**$ 4,430.6**	$ 4,120.1	**$ 13,363.4**	$ 12,591.5
Operating profit:				
U.S. Retail	**$ 577.3**	$ 512.5	**$ 1,875.6**	$ 1,759.1
International	**96.1**	96.0	**361.1**	310.2
Bakeries and Foodservice	**75.4**	66.5	**239.3**	205.7
Total segment operating profit	**748.8**	675.0	**2,476.0**	2,275.0
Unallocated corporate items	**100.6**	6.3	**206.8**	249.7
Restructuring, impairment, and other exit costs	**6.1**	0.1	**18.0**	0.9
Operating profit	**$ 642.1**	$ 668.6	**$ 2,251.2**	$ 2,024.4

(18) New Accounting Pronouncements

In the third quarter of fiscal 2013 we adopted new accounting guidance intended to simplify indefinite-lived intangible asset impairment testing. Entities are allowed to perform a qualitative assessment of indefinite-lived intangible asset impairment to determine whether a quantitative assessment is necessary. We adopted this guidance for our annual indefinite-lived intangible asset impairment test for fiscal 2013, which was conducted as of the first day of the third quarter. The adoption of this guidance did not have an impact on our results of operations or financial position.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

INTRODUCTION

This Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the MD&A included in our Annual Report on Form 10-K for the fiscal year ended May 27, 2012, for important background regarding, among other things, our key business drivers. Significant trademarks and service marks used in our business are set forth in *italics* herein. Certain terms used throughout this report are defined in the Glossary section below.

Our consolidated results for fiscal 2013 include operating activity from the acquisitions of Yoki Alimentos S.A. (Yoki) in Brazil, Yoplait Ireland, Food Should Taste Good in the United States and Parampara Foods in India, and the assumption of the Canadian Yoplait franchise license (Yoplait Canada). Also included in the first quarter of fiscal 2013 are two additional months of results from the acquisition of Yoplait S.A.S. Collectively, these items are referred to as new businesses.

CONSOLIDATED RESULTS OF OPERATIONS

Third Quarter Results

For the third quarter of fiscal 2013, net sales grew 8 percent to $4,431 million. This includes 6 percentage points of growth contributed by new businesses, primarily Yoki and Yoplait Canada. Excluding the impact of new businesses, net sales grew 2 percent for the third quarter of fiscal 2013. Total segment operating profit of $749 million was 11 percent higher than the third quarter of fiscal 2012. Diluted earnings per share (EPS) of $0.60 was up 3 percent and diluted EPS excluding certain items affecting comparability of $0.64 increased 16 percent compared to the third quarter of fiscal 2012 (see the Non-GAAP Measures section below for our use of this measure and our discussion of the items affecting comparability).

Net sales growth of 8 percent for the third quarter of fiscal 2013 was primarily driven by 9 percentage points of contribution from volume growth, largely due to new businesses. Volume growth excluding new businesses contributed 1 percentage point of net sales growth compared to the third quarter of fiscal 2012. Unfavorable net price realization and mix decreased net sales by 1 percentage point while foreign currency exchange did not have a material impact on net sales growth in the third quarter of fiscal 2013.

Components of net sales growth

Third Quarter of Fiscal 2013 vs. Third Quarter of Fiscal 2012	**U.S. Retail**	**International**	**Bakeries and Foodservice**	**Combined Segments**
Contributions from volume growth (a)	Flat	33 pts	-1 pt	9 pts
Net price realization and mix	2 pts	-8 pts	1 pt	-1 pt
Foreign currency exchange	NA	-1 pt	NM	Flat
Net sales growth	2 pts	24 pts	Flat	