GENERAL MILLS INC
Form 10-K
July 03, 2013
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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 26, 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)

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

Title of each class	Name of each exchange on which registered
Common Stock, $.10 par value	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 x 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 x

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 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 x 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. x

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 x	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 x

Aggregate market value of Common Stock held by non-affiliates of the registrant, based on the closing price of $40.77 per share as reported on the New York Stock Exchange on November 23, 2012 (the last business day of the registrant s most recently completed second fiscal quarter): $26,330.2 million.

Number of shares of Common Stock outstanding as of June 14, 2013: 640,860,417 (excluding 113,752,911 shares held in the treasury).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s Proxy Statement for its 2013 Annual Meeting of Stockholders are incorporated by reference into Part III.

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PART I

ITEM 1 Business
COMPANY OVERVIEW

General Mills, Inc. is a leading global manufacturer and marketer of branded consumer foods sold through retail stores. We are also a leading supplier of branded and unbranded food products to the foodservice and commercial baking industries. We manufacture our products in 16 countries and market them in more than 100 countries. Our joint ventures manufacture and market products in more than 130 countries and republics worldwide.

General Mills, Inc. was incorporated in Delaware in 1928. The terms General Mills, Company, registrant, we, us, and our mean General M 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.

PRINCIPAL PRODUCTS

Our product categories in the United States include 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.

In Canada, our product categories include 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 of the United States and Canada, our product categories include super-premium ice cream and frozen desserts, refrigerated yogurt, snacks, shelf stable and frozen vegetables, refrigerated and frozen dough products, and dry dinners. In addition, we sell ready-to-eat cereals through our Cereal Partners Worldwide (CPW) joint venture.

For net sales contributed by each class of similar products, see Note 16 to the Consolidated Financial Statements in Item 8 of this report.

TRADEMARKS AND PATENTS

Our products are marketed under trademarks and service marks that are owned by or licensed to us. The most significant trademarks and service marks used in our businesses are set forth in *italics* in this report. Some of the important trademarks used in our global operations include:

Ready-to-eat cereals

Cheerios, *Wheaties*, *Lucky Charms*, *Total*, *Trix*, *Golden Grahams*, *Chex*, *Kix*, *Fiber One*, *Reese s Puffs*, *Cocoa Puffs*, *Cookie Crisp*, *Cinnamon Toast Crunch*, *Clusters*, *Oatmeal Crisp*, and *Basic 4*

Refrigerated yogurt

Yoplait, *Trix*, *Delights*, *Go-GURT*, *Fiber One*, *Whips!*, *Mountain High*, *Liberté*, *YOP*, *Perle de Lait*, *Petits Filous*, and *Panier*.

Refrigerated and frozen dough products

Pillsbury, the *Pillsbury Doughboy* character, *Grands!*, *Golden Layers*, *Big Deluxe*, *Toaster Strudel*, *Toaster Scrambles*, *Simply*, *Immaculate Baking Company*, and *Jus-Rol*

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Dinners

Betty Crocker, *Hamburger Helper*, *Tuna Helper*, *Chicken Helper*, *Old El Paso*, *Suddenly Salad*, *Betty Crocker Complete Meals*, *Wanchai Ferry*, *Diablitos*, *Parampara*, *Yoki*, *Latina*, *Pasta Master*, *V.Pearl*, and *La Salteña*

Ready-to-serve soup

Progresso and *Kitano*

Frozen pizza

Totino s, *Jeno s*, and *Party Pizza*

Shelf stable and frozen vegetable products

Green Giant, *Potato Buds*, *Valley Selections*, *Simply Steam*, and *Valley Fresh Steamers*

Grain, fruit, and savory snacks

Nature Valley, *Fiber One*, *Betty Crocker*, *Fruit Roll-Ups*, *Fruit By The Foot*, *Gushers*, *Chex Mix*, *Gardetto s*, *Bugles*, *Food Should Taste Good*, *Lärabar*, *Yokitos*, *Pizza Rolls*, *Pizza Pops*, and *Pillsbury Pizza Minis*

Dessert and baking mixes

Betty Crocker, *SuperMoist*, *Warm Delights*, *Bisquick*, and *Gold Medal*

Ice cream and frozen desserts

Häagen-Dazs, *Secret Sensations*, *Cream Crisp*, and *Dolce*

Organic products

Cascadian Farm and *Muir Glen*

Soy beverages

Mais Vita

Trademarks are vital to our businesses. To protect our ownership and rights, we register our trademarks with the Patent and Trademark Office in the United States, and we file similar registrations in foreign jurisdictions. Trademark registrations in the United States are generally for a term of 10 years, renewable every 10 years as long as the trademark is used in the regular course of business.

Some of our products are marketed under or in combination with trademarks that have been licensed from others, including:

Dora the Explorer, *Disney Cars*, *Disney Princesses*, and *Teenage Mutant Ninja Turtles* for yogurt;
Dora the Explorer and *Reese s Puffs* for cereal;
Hershey s chocolate for a variety of products;
Weight Watchers as an endorsement for yogurt, soup, and frozen vegetable products;
Macaroni Grill for frozen dinners;
Sunkist for baking products and fruit snacks;
Cinnabon for refrigerated dough, frozen pastries, and baking products;

Bailey s for super-premium ice cream; and
a variety of brands and characters for fruit snacks, including *Mott s*, *Ocean Spray*, *Scooby Doo*, *Batman*, *Tom and Jerry*, *Hello Kitty*, *Thomas the Tank Engine*, *My Little Pony*, *Transformers*, and various Warner Bros. and Nickelodeon characters.

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We license all of our cereal trademarks to CPW, our joint venture with Nestlé S.A. (Nestlé). Nestlé similarly licenses certain of its trademarks to CPW, including the *Nestlé* and *Uncle Tobys* trademarks. We own the *Häagen-Dazs* trademark and have the right to use the trademark outside of the United States and Canada. Nestlé has an exclusive royalty-free license to use the *Häagen-Dazs* trademark in the United States and Canada on ice cream and other frozen dessert products. We also license this trademark to our Häagen-Dazs Japan, Inc. (HDJ) joint venture. 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. We also license our *Green Giant* trademark to a third party for use in connection with its sale of fresh produce in the United States. We use the *Yoplait* and related trademarks under license from an entity in which we own a 50 percent interest and we further license these trademarks to franchisees.

Given 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.

RAW MATERIALS AND SUPPLIES

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 principal research and development facilities are located in Minneapolis, Minnesota. 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 $238 million in fiscal 2013, $245 million in fiscal 2012, and $235 million in fiscal 2011.

FINANCIAL INFORMATION ABOUT SEGMENTS

We review the financial results of our business under three operating segments: U.S. Retail; International; and Bakeries 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.

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JOINT VENTURES

In addition to our consolidated operations, we participate in two joint ventures. We have a 50 percent equity interest in CPW, which manufactures and markets ready-to-eat cereal products in more than 130 countries and republics outside the United States and Canada. CPW also markets cereal bars in several European countries and manufactures private label cereals for customers in the United Kingdom. We also have a 50 percent equity interest in HDJ, which manufactures, distributes, and markets *Häagen-Dazs* ice cream products and frozen novelties.

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.

During fiscal 2013, Wal-Mart Stores, Inc. and its affiliates (Wal-Mart) accounted for 21 percent of our consolidated net sales and 31 percent of our net sales in the U.S. Retail segment. No other customer accounted for 10 percent or more of our consolidated net sales. Wal-Mart also represented 6 percent of our net sales in the International segment and 7 percent of our net sales in the Bakeries and Foodservice segment. As of May 26, 2013, Wal-Mart accounted for 28 percent of our U.S. Retail receivables, 5 percent of our International receivables, and 7 percent of our Bakeries and Foodservice receivables. The five largest customers in our U.S. Retail segment accounted for 54 percent of its fiscal 2013 net sales, the five largest customers in our International segment accounted for 24 percent of its fiscal 2013 net sales, and the five largest customers in our Bakeries and Foodservice segment accounted for 41 percent of its fiscal 2013 net sales.

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.

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 are also 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 effective customer relationships, superior product quality, innovative advertising, product promotion, product innovation, an efficient supply chain, and price. In most product categories, we compete not only with other widely advertised, branded products, but also 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.

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 26, 2013, was not material.

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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 26, 2013, we had approximately 41,000 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 26, 2013, we were involved with three active cleanup sites associated with the alleged or threatened release of hazardous substances or wastes located in: Sauget, Illinois; 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.

We recognize that our potential exposure with respect to any of these sites may be joint and several, but have concluded that our probable aggregate exposure is not material to our consolidated financial position or cash flows from operations. This conclusion is based upon, among other things: our payments and accruals with respect to each site; the number, ranking and financial strength of other potentially responsible parties; the status of the proceedings, including various settlement agreements, consent decrees, or court orders; allocations of volumetric waste contributions and allocations of relative responsibility among potentially responsible parties developed by regulatory agencies and by private parties; remediation cost estimates prepared by governmental authorities or private technical consultants; and our historical experience in negotiating and settling disputes with respect to similar sites.

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 3, 2013:

***Y. Marc Belton*,** age 54, is Executive Vice President, Global Strategy, Growth and Marketing Innovation. Mr. Belton joined General Mills in 1983 and has held various positions, including President of Snacks from 1994 to 1997, New Ventures from 1997 to 1999, and Big G cereals from 1999 to 2002. He had oversight responsibility for Yoplait, General Mills Canada, and New Business Development from 2002 to 2005, and has had oversight responsibility for Growth and Marketing Innovation since 2005 and Global Strategy since September 2010. Mr. Belton was elected a Vice President of General Mills in 1991, a Senior Vice President in 1994, and an Executive Vice President in 2006. He is a director of U.S. Bancorp.

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John R. Church, age 47, 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.

Michael L. Davis, age 57, is Senior Vice President, Global Human Resources. Mr. Davis joined General Mills in 1996 as Vice President, Compensation and Benefits, after spending 15 years in consulting with Towers Perrin. In 2002, his role was expanded to include staffing activities, and in 2005, he became Vice President, Human Resources for the U.S. Retail and Corporate groups. He was named to his current position in 2008.

Peter C. Erickson, age 52, 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.

Ian R. Friendly, age 52, is Executive Vice President and Chief Operating Officer, U.S. Retail. Mr. Friendly joined General Mills in 1983 and held various positions before becoming Vice President of CPW in 1994, President of Yoplait in 1998, Senior Vice President of General Mills in 2000, and President of the Big G cereals division in 2002. In 2004, he was named Chief Executive Officer of CPW. Mr. Friendly was named to his present position in 2006. He is a director of The Valspar Corporation.

Donal L. Mulligan, age 52, 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 July 2007, and was elected to his present position in August 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 50, 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, 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 49, 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 May 2010. He was promoted to his current position in June 2012.

Christopher D. O Leary, age 53, 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.

Roderick A. Palmore, age 61, is Executive Vice President, General Counsel, Chief Compliance and Risk Management Officer, and Secretary. Mr. Palmore joined General Mills in this position in 2008 from the Sara Lee Corporation, a consumer foods and products company. He spent 12 years at Sara Lee, last serving as Executive Vice President and General Counsel since 2004. Mr. Palmore is a director of CBOE Holdings, Inc. and The Goodyear Tire & Rubber Company.

Kendall J. Powell**,** age 59, 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 Yoplait 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.

Jerald A. Young**,** age 56, 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 Bakeries 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.

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 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.

During fiscal 2013, Wal-Mart Stores, Inc. and its affiliates (Wal-Mart) accounted for 21 percent of our consolidated net sales and 31 percent of our net sales in the U.S. Retail segment. No other customer accounted for 10 percent or more of our consolidated net sales. Wal-Mart also represented 6 percent of our net sales in the International segment and 7 percent of our net sales in the Bakeries and Foodservice segment. The five largest customers in our U.S. Retail segment accounted for 54 percent of its net sales for fiscal 2013, the five largest customers in our International segment accounted for 24 percent of its net sales for fiscal 2013, and the five largest customers in our Bakeries and Foodservice segment accounted for 41 percent of its net sales for fiscal 2013. The loss of any large customer for an extended length of time could adversely affect our sales and profits. 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 or volume growth could be negatively impacted.

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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.

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), non-fat dry milk, 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 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.

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, 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.

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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 change from time to time and can be affected by a number of different trends. Our failure to anticipate, identify or react to these changes and trends, or to introduce new and improved products on a timely basis, could result in 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, 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 Bakeries and Foodservice segment. Any of these events could have an adverse effect on our results of operations.

Our international operations are subject to political and economic risks.

In fiscal 2013, 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.

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.

Food production and marketing are highly regulated by a variety of federal, state, local, and foreign agencies. Changes in laws or regulations that impose additional regulatory requirements on us, including regulation of greenhouse gas emissions, could increase our cost of doing business or restrict our actions, causing our results of operations to be adversely affected. In addition, 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.

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 26, 2013, we had total debt, redeemable interests, and noncontrolling interests of $9.4 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.

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. 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 or changes in our employee base could substantially increase our defined benefit pension, other postretirement, 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, directors life, 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.

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

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage our business data, communications, supply chain, order entry and fulfillment, and other business processes. The failure of our information technology systems to perform as we anticipate could disrupt our business and could result in transaction errors, processing inefficiencies, and the loss of sales and customers, causing our business and results of operations to suffer. In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, systems failures, security breaches, and viruses. Any such damage or interruption could have a material adverse effect on our business.

If other potentially responsible parties (PRPs) are unable to contribute to remediation costs at certain contaminated sites, our costs for remediation could be material.

We are subject to various federal, state, local, and foreign environmental and health and safety laws and regulations. Under certain of these laws, namely the Comprehensive Environmental Response, Compensation, and Liability Act and its state counterparts, liability for investigation and remediation of hazardous substance contamination at currently or formerly owned or operated facilities or at third-party waste disposal sites is joint and several. We currently are involved in active remediation efforts at certain sites where we have been named a PRP. If other PRPs at these sites are unable to contribute to remediation costs, we could be held responsible for their portion of the remediation costs, and those costs could be material. We cannot assure that our costs in relation to these environmental 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.

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.

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 annual long-range planning process. We also make estimates of discount rates, perpetuity growth assumptions, market comparables, and other factors. 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*, and *Häagen-Dazs* 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 annual long-range plan, assumed royalty rates which could be payable if we did not own the brands, and a discount rate.

As of May 26, 2013, 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, different assumptions regarding future performance of our businesses or a different weighted-average cost of capital could result in significant impairment losses and amortization expense.

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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 in the United States. Other facilities are operated in Canada and elsewhere around the world.

As of May 26, 2013, we operated 65 facilities for the production of a wide variety of food products. Of these facilities, 30 are located in the United States (2 of which are leased), 9 in the Asia/Pacific region (4 of which are leased), 5 in Canada (3 of which are leased), 8 in Europe (2 of which are leased), 12 in Latin America and Mexico (1 of which is leased), and 1 in South Africa. The following is a list of the locations of our principal production facilities, which primarily support the segment noted:

U.S. Retail		
Carson, California	Cedar Rapids, Iowa	Vineland, New Jersey
Lodi, California	Methuen, Massachusetts	Albuquerque, New Mexico
Covington, Georgia	Irapuato, Mexico	Buffalo, New York
Belvidere, Illinois	Reed City, Michigan	Cincinnati, Ohio
Geneva, Illinois	Fridley, Minnesota	Wellston, Ohio
West Chicago, Illinois	Hannibal, Missouri	Murfreesboro, Tennessee
New Albany, Indiana	Kansas City, Missouri	Milwaukee, Wisconsin
Carlisle, Iowa	Great Falls, Montana	
International		
Buenos Aires, Argentina	Guangzhou, China	Le Mans, France
Mt. Waverly, Australia	Nanjing, China	Moneteau, France
Rooty Hill, Australia	Sanhe, China	Vienne, France
Nova Prata, Brazil	Shanghai, China	San Adrian, Spain
Pouso Alegre, Brazil	Arras, France	Berwick, United Kingdom
Downsview, Canada	Labatut, France	Cagua, Venezuela
St. Hyacinthe, Canada		
Bakeries and Foodservice		
Chanhassen, 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 11 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 in the United States, Canada, and elsewhere 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 331 (all leased) and franchise 358 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 26, 2013, 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.

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 14, 2013, there were approximately 33,000 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 26, 2013:

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 25, 2013- March 31, 2013	2,028	$46.39	2,028	54,558,074
April 1, 2013- April 28, 2013	31	48.68	31	54,558,043
April 29, 2013- May 26, 2013	5,496,293	49.13	5,496,293	49,061,750
Total	5,498,352	$49.13	5,498,352	49,061,750

(a)

The total number of shares purchased includes: (i) 5.5 million shares of common stock purchased under the terms of an accelerated share repurchase agreement (see Note 10 to the Consolidated Financial Statements in Item 8 of this report); and (ii) shares of common stock withheld for the payment of withholding taxes upon the distribution of deferred option units.

(b) On June 28, 2010, our Board of Directors approved and we announced 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.

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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 26, 2013:

	Fiscal Year				
In Millions, Except Per Share Data, Percentages and Ratios	**2013**	2012	2011	2010	2009 (a)
Operating data:					
Net sales	**$ 17,774.1**	$ 16,657.9	$ 14,880.2	$ 14,635.6	$ 14,555.8
Gross margin (b)	**6,423.9**	6,044.7	5,953.5	5,800.2	5,174.9
Selling, general, and administrative expenses	**3,552.3**	3,380.7	3,192.0	3,162.7	2,893.2
Segment operating profit (c)	**3,197.7**	3,011.6	2,945.6	2,840.5	2,624.2
After-tax earnings from joint ventures	**98.8**	88.2	96.4	101.7	91.9
Net earnings attributable to General Mills	**1,855.2**	1,567.3	1,798.3	1,530.5	1,304.4
Depreciation and amortization	**588.0**	541.5	472.6	457.1	453.6
Advertising and media expense	**895.0**	913.7	843.7	908.5	732.1
Research and development expense	**237.9**	245.4	235.0	218.3	208.2
Average shares outstanding:					
Basic	**648.6**	648.1	642.7	659.6	663.7
Diluted	**665.6**	666.7	664.8	683.3	687.1
Earnings per share:					
Basic	**$ 2.86**	$ 2.42	$ 2.80	$ 2.32	$ 1.96
Diluted	**$ 2.79**	$ 2.35	$ 2.70	$ 2.24	$ 1.90
Diluted, excluding certain items affecting comparability (c)	**$ 2.69**	$ 2.56	$ 2.48	$ 2.30	$ 1.99
Operating ratios:					
Gross margin as a percentage of net sales	**36.1%**	36.3%	40.0%	39.6%	35.6%
Selling, general, and administrative expenses as a percentage of net sales	**20.0%**	20.3%	21.5%	21.6%	19.9%
Segment operating profit as a percentage of net sales (c)	**18.0%**	18.1%	19.8%	19.4%	18.0%
Effective income tax rate	**29.2%**	32.1%	29.7%	35.0%	37.1%
Return on average total capital (b) (c)	**11.9%**	12.7%	13.8%	13.8%	12.3%
Balance sheet data:					
Land, buildings, and equipment	**$ 3,878.1**	$ 3,652.7	$ 3,345.9	$ 3,127.7	$ 3,034.9
Total assets	**22,658.0**	21,096.8	18,674.5	17,678.9	17,874.8
Long-term debt, excluding current portion	**5,926.1**	6,161.9	5,542.5	5,268.5	5,754.8
Total debt (b)	**7,969.1**	7,429.6	6,885.1	6,425.9	7,075.5
Redeemable interest	**967.5**	847.8			
Noncontrolling interests	**456.3**	461.0	246.7	245.1	244.2
Stockholders equity	**6,672.2**	6,421.7	6,365.5	5,402.9	5,172.3
Cash flow data:					
Net cash provided by operating activities	**$ 2,926.0**	$ 2,407.2	$ 1,531.1	$ 2,185.1	$ 1,836.7
Capital expenditures	**613.9**	675.9	648.8	649.9	562.6
Net cash used by investing activities	**1,515.4**	1,870.8	715.1	721.2	288.9
Net cash used by financing activities	**1,140.2**	666.6	940.9	1,507.7	1,413.0
Fixed charge coverage ratio	**7.62**	6.26	7.03	6.42	5.33
Operating cash flow to debt ratio (b)	**36.7%**	32.4%	22.2%	34.0%	26.0%
Share data:					
Low stock price	**$ 37.55**	$ 34.95	$ 33.57	$ 25.59	$ 23.61
High stock price	**50.93**	41.05	39.95	36.96	35.08
Closing stock price	**48.98**	39.08	39.29	35.62	25.59
Cash dividends per common share	**1.32**	1.22	1.12	0.96	0.86

(a) Fiscal 2009 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 MD&A in Item 7 of this report for our discussion of this measure not defined by generally accepted accounting principles.

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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 established products and to create new products that meet consumers evolving needs and preferences. In addition, we build the equity of our brands over time with strong consumer-directed marketing and innovative 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 business goal is to generate superior returns for our stockholders over the long term. We believe that increases in net sales, segment operating profit, earnings per share (EPS), and return on average total capital are the key measures of financial performance for our business.

Our specific growth objectives are to consistently deliver:

- low single-digit annual growth in net sales;
- mid single-digit annual growth in total segment operating profit;
- high single-digit annual growth in diluted EPS excluding certain items affecting comparability; and
- improvement in return on average total capital.

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

In fiscal 2013 we maintained focus on our core strategies of brand building investment, international expansion, customer partnerships, product innovation and holistic margin management (HMM) initiatives, and we continued to invest for future growth. For the fiscal year ended May 26, 2013, our net sales grew 7 percent and total segment operating profit grew 6 percent. Our return on average total capital declined by 80 basis points primarily due to the acquisitions of Yoplait S.A.S., Yoplait Marques S.A.S., and Yoki Alimentos S.A. (Yoki). Diluted EPS grew 19 percent and diluted EPS excluding certain items affecting comparability increased 5 percent (See the Non-GAAP Measures section below for a description of our discussion of total segment operating profit, diluted EPS excluding certain items affecting comparability and return on average total capital, which are not defined by generally accepted accounting principles (GAAP)). Net cash provided by operations totaled $2.9 billion in fiscal 2013, enabling us to partially fund the acquisition of Yoki and to increase our annual dividend payments per share by 8 percent from fiscal 2012. We also made significant capital investments totaling $614 million in fiscal 2013 and repurchased $1.0 billion of shares of common stock.

We achieved the following related to our key operating objectives for fiscal 2013:

- We increased our worldwide sales base and strengthened our portfolio by making key strategic acquisitions that expanded our participation in fast-growing food categories and emerging markets, and grew net sales by 7 percent.
- We sustained a high level of new product activity, and executed effective marketing and merchandising actions in support of our leading brands and global platforms around the world.
- We achieved a 6 percent increase in total segment operating profit driven by our ongoing HMM program, the effect of our restructuring plan announced in May 2012, volume growth from existing businesses, and contributions from new businesses.

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Our strong cash flows allowed us to fund the acquisition of new businesses in fiscal 2013 and also repurchase sufficient shares of company stock to more than offset stock option exercises during the year.

Details of our financial results are provided in the Fiscal 2013 Consolidated Results of Operations section below.

In fiscal 2014, we expect to generate growth consistent with our long term model:

We have a strong line-up of consumer marketing, merchandising, and innovation planned to support our leading brands. We will continue to build our global platforms in markets around the world, accelerating our efforts in rapidly growing emerging markets.

We are targeting low single-digit growth in net sales driven by volume growth, with incremental contributions from new businesses added in fiscal 2013.

We are targeting mid single-digit growth in total segment operating profit in fiscal 2014 including incremental contributions from new businesses. We expect our HMM discipline of cost savings and mix management to more than offset expected input cost inflation.

We are targeting high single-digit growth in diluted EPS excluding certain items affecting comparability.

We expect to deliver increased cash returns to shareholders in fiscal 2014, including a 15 percent dividend increase and share repurchases that are expected to result in a 2 percent net reduction in shares outstanding.

Our businesses generate strong levels of cash flows and we will use some of this cash to reinvest in our business. Our fiscal 2014 plans call for approximately $700 million of expenditures for capital projects.

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

FISCAL 2013 CONSOLIDATED RESULTS OF OPERATIONS

Our consolidated results for fiscal 2013 include operating activity from the acquisitions of Yoki in Brazil, Yoplait Ireland, Food Should Taste Good in the United States, Parampara Foods in India, Immaculate Baking Company in the United States, 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.

Fiscal 2013 net sales grew 7 percent to $17,774 million. In fiscal 2013, **net earnings attributable to General Mills** was $1,855 million, up 18 percent from $1,567 million in fiscal 2012, and we reported **diluted EPS** of $2.79 in fiscal 2013, up 19 percent from $2.35 in fiscal 2012. Fiscal 2013 results include the effects from various discrete tax items, restructuring charges related to our fiscal 2012 productivity and cost savings plan, integration costs resulting from the acquisition of Yoki, and gains from the mark-to-market valuation of certain commodity positions and grain inventories. Fiscal 2012 results include losses from the mark-to-market valuation of certain commodity positions and grain inventories, restructuring charges related to our 2012 productivity and cost savings plan, and integration costs resulting from the acquisitions of Yoplait S.A.S. and Yoplait Marques S.A.S. Diluted EPS excluding these items affecting comparability totaled $2.69 in fiscal 2013, up 5 percent from $2.56 in fiscal 2012 (see the Non-GAAP Measures section below for a description of our use of this measure and our discussion of the items affecting comparability).

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

Components of Net Sales Growth

	Fiscal 2013 vs. 2012
Contributions from volume growth (a)	**9 pts**
Net price realization and mix	**(1) pt**
Foreign currency exchange	**(1) pt**
Net sales growth	**7 pts**

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

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

Cost of sales increased $737 million in fiscal 2013 to $11,350 million. Higher volume drove a $982 million increase in cost of sales. We also recorded a $17 million non-recurring expense related to the assumption of the Canadian Yoplait franchise license in fiscal 2013. These increases were partially offset by a $154 million decrease in cost of sales attributable to product mix. In fiscal 2013, we recorded a $4 million net decrease in cost of sales related to mark-to-market valuation of certain commodity positions and grain inventories as described in Note 7 to the Consolidated Financial Statements in Item 8 of this report, compared to a net increase of $104 million in fiscal 2012.

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

Selling, general and administrative (SG&A) expenses were up $172 million in fiscal 2013 versus fiscal 2012. The increase in SG&A expenses was primarily driven by the addition of new businesses and an increase in pension expense. In addition, we recorded a $25 million foreign exchange loss resulting from the remeasurement of assets and liabilities of our Venezuelan subsidiary following the devaluation of the bolivar in fiscal 2013. Excluding these items, SG&A expenses decreased compared to last year, including a 2 percent decrease in advertising and media expense compared to fiscal 2012. SG&A expenses as a percent of net sales were flat compared to fiscal 2012.

Restructuring, impairment, and other exit costs totaled $20 million in fiscal 2013 as follows:

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

In fiscal 2013, we recorded a $19 million restructuring charge related to a productivity and cost savings plan approved in the fourth quarter of fiscal 2012, consisting of $11 million of employee severance expense and other exit costs of $8 million. All of our operating segments were affected by these actions including $16 million related to our International segment, $2 million related to our U.S. Retail segment, and $1 million related to our Bakeries and Foodservice segment. These restructuring actions are expected to be completed by the end of fiscal 2014. In addition, we recorded $1 million of charges associated with other previously announced restructuring actions. In fiscal 2013, we paid $80 million in cash related to restructuring actions.

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

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

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

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

Joint Venture Change in Net Sales

	Fiscal 2013 vs. 2012
CPW	**(1) %**
HDJ	**(2)**
Joint Ventures	**(1) %**

In fiscal 2013, CPW net sales declined by 1 percentage point as 2 percentage points of net sales growth from favorable net price realization and mix were offset by 3 percentage points of net sales decline from unfavorable foreign currency exchange. Contribution from volume growth was flat compared to fiscal 2012. In fiscal 2013, net sales for HDJ decreased 2 percentage points from fiscal 2012 as 6 percentage points of net sales growth from volume contribution was offset by 7 percentage points of net sales decline from unfavorable foreign currency exchange and 1 percentage point of net sales decline attributable to unfavorable net price realization and mix.

Average diluted shares outstanding decreased by 1 million in fiscal 2013 from fiscal 2012, due primarily to the repurchase of 24 million shares, including 6 million purchased under an accelerated share repurchase (ASR) agreement.

FISCAL 2013 CONSOLIDATED BALANCE SHEET ANALYSIS

Cash and cash equivalents increased $270 million from fiscal 2012, as discussed in the Liquidity section below.

Receivables increased $123 million from fiscal 2012 primarily as a result of the acquisition of Yoki.

Inventories increased $67 million from fiscal 2012 primarily as a result of the acquisition of Yoki.

Prepaid expenses and other current assets increased $80 million from fiscal 2012, mainly due to an increase in other receivables related to the liquidation of a corporate investment.

Land, buildings, and equipment increased $225 million from fiscal 2012, as $614 million of capital expenditures and $216 million of additions from acquired businesses were partially offset by depreciation expense of $552 million.

Goodwill and other intangible assets increased $750 million from fiscal 2012. We recorded $407 million of goodwill and $311 million of other intangible assets related to acquisitions in fiscal 2013.

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Other assets decreased $22 million from fiscal 2012, primarily related to the liquidation of a corporate investment.

Accounts payable increased $274 million from fiscal 2012, primarily due to the acquisition of Yoki and the extension of payment terms.

Long-term debt, including **current portion,** and **notes payable** increased $540 million from fiscal 2012 primarily due to $1.0 billion of debt issuances, partially offset by $587 million of debt and commercial paper repayments.

The current and noncurrent portions of net **deferred income taxes liability** increased $149 million from fiscal 2012 primarily as a result of contributions to our pension plan in fiscal 2013.

Other current liabilities increased $401 million from fiscal 2012, primarily driven by increases in dividend accruals and trade and consumer accruals.

Other liabilities decreased $237 million from fiscal 2012, primarily driven by a decrease in pension, postemployment, and postretirement liabilities.

Redeemable interest increased $120 million from fiscal 2012, primarily due to a $104 million increase in the redemption value of the redeemable interest.

Retained earnings increased $744 million from fiscal 2012, reflecting fiscal 2013 net earnings of $1,855 million less dividends paid of $868 million and dividends declared of $243 million. **Treasury stock** increased $510 million from fiscal 2012, due to $1,015 million of share repurchases, including $270 million related to an ASR agreement, partially offset by $505 million related to stock-based compensation plans. **Additional paid in capital** decreased $142 million from fiscal 2012, including $30 million related to an ASR agreement. **Accumulated other comprehensive loss (AOCI)** decreased by $158 million after-tax from fiscal 2012, primarily driven by pension and postemployment activity of $144 million.

Noncontrolling interests decreased $5 million in fiscal 2013.

FISCAL 2012 CONSOLIDATED RESULTS OF OPERATIONS

Fiscal 2012 net sales grew 12 percent to $16,658 million. In fiscal 2012, **net earnings attributable to General Mills** was $1,567 million, down 13 percent from $1,798 million in fiscal 2011, and we reported **diluted EPS** of $2.35 in fiscal 2012, down 13 percent from $2.70 in fiscal 2011. Fiscal 2012 results include losses from the mark-to-market valuation of certain commodity positions and grain inventories versus fiscal 2011 which included gains. Fiscal 2012 results also include restructuring charges reflecting employee severance expense and the write-off of certain long-lived assets related to our 2012 productivity and cost savings plan and integration costs resulting from the acquisitions of Yoplait S.A.S. and Yoplait Marques S.A.S. Fiscal 2011 results include the net benefit from the resolution of uncertain tax matters. Diluted EPS excluding these items affecting comparability was $2.56 in fiscal 2012, up 3 percent from $2.48 in fiscal 2011 (see the Non-GAAP Measures section below for our use of this measure and our discussion of the items affecting comparability).

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

Components of Net Sales Growth

	Fiscal 2012 vs. 2011
Contributions from volume growth (a)	9 pts
Net price realization and mix	3 pts
Foreign currency exchange	Flat
Net sales growth	12 pts

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

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Net sales grew 12 percent in fiscal 2012, due to 9 percentage points of contribution from volume growth, including 12 percentage points of volume growth contributed by the acquisition of Yoplait S.A.S. Net price realization and mix contributed 3 percentage points of net sales growth. Foreign currency exchange was flat compared to fiscal 2011.

Cost of sales increased $1,686 million in fiscal 2012 to $10,613 million. This increase was driven by an $877 million increase attributable to higher volume and a $610 million increase attributable to higher input costs and product mix. We recorded a $104 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 $95 million in fiscal 2011.

Gross margin grew 2 percent in fiscal 2012 versus fiscal 2011. Gross margin as a percent of net sales decreased by 370 basis points from fiscal 2011 to fiscal 2012. This decrease was primarily driven by higher input costs and losses from mark-to-market valuation of certain commodity positions and grain inventories in fiscal 2012 versus gains in fiscal 2011.

Selling, general and administrative (SG&A) expenses were up $189 million in fiscal 2012 versus fiscal 2011. SG&A expenses as a percent of net sales in fiscal 2012 decreased by 1 percentage point compared to fiscal 2011. The increase in SG&A expenses was primarily driven by the acquisition of Yoplait S.A.S. and an 8 percent increase in advertising and media expense.

There were no divestitures in fiscal 2012. In fiscal 2011, we recorded a **net divestiture gain** of $17 million consisting of a gain of $14 million related to the sale of a foodservice frozen baked goods product line in our International segment and a gain of $3 million related to the sale of a pie shell product line in our Bakeries and Foodservice segment.

Restructuring, impairment, and other exit costs totaled $102 million in fiscal 2012 as follows:

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

In fiscal 2012, we approved a major productivity and cost savings plan designed to improve organizational effectiveness and focus on key growth strategies. The plan included organizational changes to strengthen business alignment, and actions to accelerate administrative efficiencies across all of our operating segments and support functions. In connection with this initiative, we eliminated approximately 850 positions globally and recorded a $101 million restructuring charge, consisting of $88 million of employee severance expense and a non-cash charge of $13 million related to the write-off of certain long-lived assets in our U.S. Retail segment. All of our operating segments and support functions were affected by these actions including $70 million related to our U.S. Retail segment, $12 million related to our Bakeries and Foodservice segment, $10 million related to our International segment, and $9 million related to our administrative functions. These restructuring actions are expected to be completed by the end of fiscal 2014. In fiscal 2012, we paid $4 million in cash related to restructuring actions taken in fiscal 2012 and previous years.

Interest, net for fiscal 2012 totaled $352 million, $6 million higher than fiscal 2011. Average interest bearing instruments increased $792 million in fiscal 2012, primarily due to the acquisitions of Yoplait S.A.S. and Yoplait Marques S.A.S., generating a $46 million increase in net interest. The average interest rate decreased 55 basis points, including the effect of the mix of debt, generating a $40 million decrease in net interest.

Our consolidated **effective tax rate** for fiscal 2012 was 32.1 percent compared to 29.7 percent in fiscal 2011. The 2.4 percentage point increase was primarily due to a $100 million reduction to tax expense recorded in fiscal 2011 related to a settlement with the Internal Revenue Service (IRS) concerning corporate income tax adjustments for fiscal years 2002 to 2008.

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After-tax earnings from joint ventures for fiscal 2012 decreased to $88 million compared to $96 million in fiscal 2011 primarily due to higher effective tax rates as a result of discrete tax items in fiscal 2012.

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

Joint Venture Change in Net Sales

	Fiscal 2012 vs. 2011
CPW	4 %
HDJ	11
Joint Ventures	5 %

In fiscal 2012, CPW net sales grew by 4 percent due to 3 percentage points attributable to net price realization and mix, and a 2 percentage point increase from volume, partially offset by a 1 percentage point decrease from unfavorable foreign currency exchange. In fiscal 2012, net sales for HDJ increased 11 percent from fiscal 2011 due to 7 percentage points of favorable foreign currency exchange, 3 percentage points due to an increase in volume, and 1 percentage point attributable to net price realization and mix.

Average diluted shares outstanding increased by 2 million in fiscal 2012 from fiscal 2011, due primarily to the issuance of common stock from stock option exercises, partially offset by share repurchases.

RESULTS OF SEGMENT OPERATIONS

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

Beginning with the first quarter of fiscal 2013, we realigned certain divisions within our U.S. Retail operating segment and certain geographic regions within our International operating segment. We revised the amounts previously reported in the net sales percentage change by division within our U.S. Retail segment and geographic regions within our International segment. 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 earnings per share.

In the U.S. Retail segment, Big G, Snacks, Yoplait, and Small Planet Foods were unchanged. Baking Products combines our baking aisle and refrigerated dough products. Frozen Foods includes our frozen products, as well as *Green Giant* canned vegetables. Meals includes dinner mixes, side dishes, Mexican products, and *Progresso* soups. In the International segment, Canada was unchanged. The Australia and New Zealand businesses were realigned with our Europe region. The Turkey, North Africa, South Africa, and Middle East businesses were realigned with our Asia/Pacific region.

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The following tables provide the dollar amount and percentage of net sales and operating profit from each segment for fiscal years 2013, 2012, and 2011:

	Fiscal Year					
	2013		2012		2011	
In Millions	**Dollars**	**Percent of Total**	Dollars	Percent of Total	Dollars	Percent of Total
Net Sales						
U.S. Retail	**$ 10,614.9**	**60%**	$ 10,480.2	63%	$ 10,163.9	69%
International	**5,200.2**	**29**	4,194.3	25	2,875.5	19
Bakeries and Foodservice	**1,959.0**	**11**	1,983.4	12	1,840.8	12
Total	**$ 17,774.1**	**100%**	$ 16,657.9	100%	$ 14,880.2	100%
Segment Operating Profit						
U.S. Retail	**$ 2,392.9**	**75%**	$ 2,295.3	76%	$ 2,347.9	80%
International	**490.2**	**15**	429.6	14	291.4	10
Bakeries and Foodservice	**314.6**	**10**	286.7	10	306.3	10
Total	**$ 3,197.7**	**100%**	$ 3,011.6	100%	$ 2,945.6	100%

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

U.S. RETAIL SEGMENT

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

In fiscal 2013, net sales for our U.S. Retail segment were $10.6 billion, up 1 percent from fiscal 2012 due to contributions from volume growth. Net price realization and mix was flat compared to fiscal 2012.

In fiscal 2012, net sales for this segment totaled $10.5 billion, up 3 percent from fiscal 2011. Net price realization and mix contributed 9 percentage points of growth, partially offset by a 6 percentage point decrease due to lower pound volume.

Components of U.S. Retail Net Sales Growth

	Fiscal 2013 vs. 2012	Fiscal 2012 vs. 2011
Contributions from volume growth (a)	**1 pt**	(6)pts
Net price realization and mix	**Flat**	9 pts
Net sales growth	**1 pt**	3 pts

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

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

U.S. Retail Net Sales by Division

	Fiscal Year		
	2013	2012	2011
Big G	**$ 2,340.8**	$ 2,387.9	$ 2,293.6
Baking Products	**1,845.7**	1,792.8	1,736.0
Snacks	**1,717.2**	1,578.6	1,378.3
Frozen Foods	**1,549.6**	1,601.0	1,596.8
Meals	**1,481.0**	1,452.8	1,431.5
Yoplait	**1,352.6**	1,418.5	1,499.0
Small Planet Foods and other	**328.0**	248.6	228.7
Total	**$ 10,614.9**	$ 10,480.2	$ 10,163.9

U.S. Retail Net Sales Percentage Change by Division

	Fiscal 2013 vs. 2012	Fiscal 2012 vs. 2011
Big G	**(2)%**	4%
Baking Products	**3**	3
Snacks	**9**	15
Frozen Foods	**(3)**	Flat
Meals	**2**	2
Yoplait	**(5)**	(5)
Small Planet Foods	**35**	19
Total	**1%**	3%

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

The 3 percentage point increase in the fiscal 2012 U.S. Retail segment net sales was driven by the Snacks, Big G, Baking Products, Small Planet Foods, and Meals divisions, partially offset by declines in the Yoplait division. Frozen Foods net sales were flat compared to fiscal 2011.

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

Segment operating profit of $2.3 billion in fiscal 2012 declined $53 million, or 2 percent, from fiscal 2011. The decrease was primarily driven by higher input costs, lower volume, and a 5 percent increase in advertising and media expense.

INTERNATIONAL SEGMENT

Our International segment consists of retail and foodservice businesses outside of the United States. In Canada, our product categories include 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, 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.

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

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

Net sales totaled $4,194 million in fiscal 2012, up 46 percent from $2,876 million in fiscal 2011. The growth in fiscal 2012 was driven by 36 percentage points contributed by the acquisition of Yoplait S.A.S. Volume contributed 65 percentage points of net sales growth, including 63 percentage points resulting from the acquisition of Yoplait S.A.S., and favorable foreign currency exchange contributed 1 percentage point of net sales growth. These gains were partially offset by a decrease of 20 percentage points due to unfavorable net price realization and mix resulting from the acquisition of Yoplait S.A.S.

Components of International Net Sales Growth

	Fiscal 2013 vs. 2012	Fiscal 2012 vs. 2011
Contributions from volume growth (a)	**34 pts**	65 pts
Net price realization and mix	**(6)pts**	(20)pts
Foreign currency exchange	**(4)pts**	1 pt
Net sales growth	**24 pts**	46 pts

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

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

International Net Sales by Geographic Region

	Fiscal Year		
	2013	2012	2011
Europe (a)	**$ 2,214.6**	$ 1,988.5	$ 1,079.2
Canada	**1,210.5**	990.9	769.9
Asia/Pacific	**899.1**	810.1	663.7
Latin America	**876.0**	404.8	362.7
Total	**$ 5,200.2**	$ 4,194.3	$ 2,875.5

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

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International Change in Net Sales by Geographic Region

	Percentage Change in Net Sales as Reported		Percentage Change in Net Sales on Constant Currency Basis (a)	
	Fiscal 2013 vs. 2012	Fiscal 2012 vs. 2011	**Fiscal 2013 vs. 2012**	Fiscal 2012 vs. 2011
Europe (b)	**11 %**	84 %	**15 %**	83 %
Canada	**22**	29	**22**	28
Asia/Pacific	**11**	22	**11**	20
Latin America	**116**	12	**139**	14
Total (b)	**24 %**	46 %	**28 %**	45 %

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

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

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

The 46 percentage point increase in the International segment fiscal 2012 net sales was driven by growth across all regions. On a constant currency basis, International segment net sales grew 45 percent, with 83 percent growth in the Europe region, 28 percent growth in the Canada region, 20 percent growth in the Asia/Pacific region, and 14 percent growth in the Latin America region.

Segment operating profit for fiscal 2013 grew 14 percent to $490 million from $430 million in fiscal 2012, primarily driven by volume growth, the Yoki acquisition, and a full year of activity from Yoplait S.A.S., partially offset by unfavorable foreign currency exchange.

During fiscal 2010, Venezuela became a highly inflationary economy. In February 2013, the Venezuelan government devalued the bolivar by resetting the official exchange rate. The effect of the devaluation in fiscal 2013 was a $25 million foreign exchange loss in segment operating profit resulting from the remeasurement of assets and liabilities of our Venezuelan subsidiary. We continue to use the official exchange rate to remeasure the financial statements of our Venezuelan operations, as we expect to remit dividends through transactions at the official rate. We do not expect that the effects of the devaluation will have a material impact on our results in the future.

Segment operating profit for fiscal 2012 grew 47 percent to $430 million, from $291 million in fiscal 2011, primarily driven by the acquisition of Yoplait S.A.S., higher volume, and favorable foreign currency effects.

BAKERIES AND FOODSERVICE SEGMENT

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

For fiscal 2013, net sales for our Bakeries and Foodservice segment decreased 1 percent to $1,959 million due to lower pound volume. Net price realization and mix was flat compared to fiscal 2012 as gains from favorable product mix were offset by declines in commodity index priced items.

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For fiscal 2012, net sales for our Bakeries and Foodservice segment increased 8 percent to $1,983 million. The increase in fiscal 2012 was driven by an increase in net price realization and mix of 7 percentage points and 1 percentage point contributed by volume growth.

Components of Bakeries and Foodservice Net Sales Growth

	Fiscal 2013 vs. 2012	Fiscal 2012 vs. 2011
Contributions from volume growth (a)	**(1)pt**	1 pt
Net price realization and mix	**Flat**	7 pts
Foreign currency exchange	**NM**	NM
Net sales growth	**(1)pt**	8 pts

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

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

Bakeries and Foodservice Net Sales

	Fiscal Year		
	2013	2012	2011
Total	**$ 1,959.0**	$ 1,983.4	$ 1,840.8

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

In fiscal 2012, segment operating profit was $287 million, down 6 percent from $306 million in fiscal 2011. The decrease was primarily driven by lower grain merchandising earnings.

UNALLOCATED CORPORATE ITEMS

Unallocated corporate items include corporate overhead expenses, variances to planned domestic employee benefits and incentives, contributions to the General Mills Foundation, and other items that are not part of our measurement of segment operating performance. This includes gains and losses from mark-to-market valuation of certain commodity positions until passed back to our operating segments in accordance with our policy as discussed in Note 2 of the Consolidated Financial Statements in Item 8 of this report.

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

Unallocated corporate expense totaled $348 million in fiscal 2012 compared to $184 million in fiscal 2011. In fiscal 2012, we recorded a $104 million net increase in expense related to mark-to-market valuation of certain commodity positions and grain inventories, compared to a $95 million net decrease in expense in fiscal 2011. In fiscal 2012, we also recorded $11 million of integration costs related to the acquisitions of Yoplait S.A.S. and Yoplait Marques S.A.S. These increases in expense were partially offset by a decrease in compensation and benefit expense compared to fiscal 2011.

IMPACT OF INFLATION

We have experienced significant input cost volatility since fiscal 2006. Our gross margin performance in fiscal 2013 reflects the impact of 3 percent input cost inflation, primarily on commodities inputs. We expect the rate of inflation of commodities and energy costs to be consistent in fiscal 2014. We attempt to minimize the effects of inflation through planning and operating practices. Our risk management practices are discussed in Item 7A of this report.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the Act) was signed into law in March 2010. The Act codifies health care reforms with staggered effective dates from 2010 to 2018. Many provisions in the Act require the issuance of additional guidance from various government agencies. Because the Act does not take effect fully until future years, the Act did not have a material impact on our fiscal 2013, 2012, or 2011 results of operations. Given the complexity of the Act, the extended time period over which the reforms will be implemented, and the unknown impact of future regulatory guidance, the full impact of the Act on future periods will not be known until those regulations are adopted.

LIQUIDITY

The primary source of our liquidity is cash flow from operations. Over the most recent three-year period, our operations have generated $6.9 billion in cash. A substantial portion of this operating cash flow has been returned to stockholders through share repurchases and dividends. We also use this source of liquidity to fund our capital expenditures and acquisitions. We typically use a combination of cash, notes payable, and long-term debt to finance acquisitions and major capital expansions.

As of May 26, 2013, we had $714 million of cash and cash equivalents held in foreign jurisdictions which will be used to fund foreign operations and acquisitions. There is currently no need to repatriate these funds in order to meet domestic funding obligations or scheduled cash distributions. If we choose to repatriate cash held in foreign jurisdictions, we expect to do so only in a tax-neutral manner.

Cash Flows from Operations

	Fiscal Year		
In Millions	**2013**	2012	2011
Net earnings, including earnings attributable to noncontrolling interests	**$ 1,892.5**	$ 1,589.1	$ 1,803.5
Depreciation and amortization	**588.0**	541.5	472.6
After-tax earnings from joint ventures	**(98.8)**	(88.2)	(96.4)
Distributions of earnings from joint ventures	**115.7**	68.0	72.7
Stock-based compensation	**100.4**	108.3	105.3
Deferred income taxes	**81.8**	149.4	205.3
Tax benefit on exercised options	**(103.0)**	(63.1)	(106.2)
Pension and other postretirement benefit plan contributions	**(223.2)**	(222.2)	(220.8)
Pension and other postretirement benefit plan expense	**131.2**	77.8	73.6
Divestitures (gain)			(17.4)
Restructuring, impairment, and other exit costs	**(60.2)**	97.8	(1.3)
Changes in current assets and liabilities	**471.1**	243.8	(720.9)
Other, net	**30.5**	(95.0)	(38.9)
Net cash provided by operating activities	**$ 2,926.0**	$ 2,407.2	$ 1,531.1

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

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We strive to grow core working capital at or below our growth in net sales. For fiscal 2013, core working capital decreased 5 percent, compared to net sales growth of 7 percent, primarily due to an increase in accounts payable. In fiscal 2012, core working capital decreased 7 percent, compared to net sales growth of 12 percent, and in fiscal 2011, core working capital increased 16 percent, compared to net sales growth of 2 percent.

In fiscal 2012, our operations generated $2.4 billion of cash compared to $1.5 billion in fiscal 2011. The $876 million increase primarily reflects changes in current assets and liabilities, including a $384 million increase driven by inventory reduction efforts in fiscal 2012. Prepaid expenses and other current assets accounted for a $245 million increase, primarily reflecting changes in foreign currency hedges and the fair value of open grain contracts. Other current liabilities accounted for a $386 million increase, primarily reflecting changes in accrued income taxes as a result of audit settlements and court decisions in fiscal 2011 and changes in consumer marketing and related accruals. The favorable change in working capital was offset by a $214 million decrease in net earnings. Additionally, fiscal 2012 included non-cash restructuring charges of $101 million reflecting employee severance expense and the write-off of certain long-lived assets. In both fiscal 2012 and fiscal 2011, we made a $200 million voluntary contribution to our principal domestic pension plans.

Cash Flows from Investing Activities

		Fiscal Year	
In Millions	**2013**	2012	2011
Purchases of land, buildings, and equipment	**$ (613.9)**	$ (675.9)	$ (648.8)
Acquisitions	**(898.0)**	(1,050.1)	(123.3)
Investments in affiliates, net	**(40.4)**	(22.2)	(1.8)
Proceeds from disposal of land, buildings, and equipment	**24.2**	2.2	4.1
Proceeds from divestiture of product lines			34.4
Exchangeable note	**16.2**	(131.6)	
Other, net	**(3.5)**	6.8	20.3
Net cash used by investing activities	**$ (1,515.4)**	$ (1,870.8)	$ (715.1)

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

In fiscal 2012, cash used by investing activities increased by $1.2 billion from fiscal 2011. The increased use of cash primarily reflected the acquisitions of Yoplait S.A.S. and Yoplait Marques S.A.S. in fiscal 2012 for an aggregate purchase price of $1.2 billion, comprised of $900 million of cash, net of $30 million of cash acquired, and $261 million of non-cash consideration for debt assumed. In addition, we purchased a zero coupon exchangeable note due in 2016 from Sodiaal with a notional amount of $132 million. We invested $676 million in land, buildings, and equipment in fiscal 2012.

We expect capital expenditures to be approximately $700 million in fiscal 2014. These expenditures will support initiatives that are expected to: increase manufacturing capacity for Greek yogurt; fuel International growth and expansion; and continue HMM initiatives throughout our supply chain.

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Cash Flows from Financing Activities

	Fiscal Year		
In Millions	**2013**	2012	2011
Change in notes payable	**$ (44.5)**	$ 227.9	$ (742.6)
Issuance of long-term debt	**1,001.1**	1,390.5	1,200.0
Payment of long-term debt	**(542.3)**	(1,450.1)	(7.4)
Proceeds from common stock issued on exercised options	**300.8**	233.5	410.4
Tax benefit on exercised options	**103.0**	63.1	106.2
Purchases of common stock for treasury	**(1,044.9)**	(313.0)	(1,163.5)
Dividends paid	**(867.6)**	(800.1)	(729.4)
Distributions to noncontrolling and redeemable interest holders	**(39.2)**	(5.2)	(4.3)
Other, net	**(6.6)**	(13.2)	(10.3)
Net cash used by financing activities	**$ (1,140.2)**	$ (666.6)	$ (940.9)

Net cash used by financing activities increased by $474 million in fiscal 2013. In January 2013, we issued $750 million aggregate principal amount of fixed rate notes. The issuance consisted of $250 million 0.875 percent notes due January 29, 2016 and $500 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 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.

In September 2012, we repaid $521 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.

As part of our acquisition of Yoplait S.A.S. in fiscal 2012, we consolidated $458 million of primarily euro-denominated Euribor-based floating-rate bank debt. In December 2011, we refinanced this debt with $390 million of euro-denominated Euribor-based floating-rate bank debt due at various dates through December 15, 2014.

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

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

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During fiscal 2013, we had $301 million in proceeds from common stock issued on exercised options compared to $234 million in fiscal 2012, an increase of $67 million. During fiscal 2011, we had $410 million in proceeds from common stock issued on exercised options.

In June 2010, our Board of Directors authorized the repurchase of up to 100 million shares of our common stock. 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 2013, we paid $1,015 million to repurchase 24 million shares of our common stock, including 6 million shares with a fair value of $270 million purchased as part of an ASR agreement. Under the terms of the ASR agreement, we also paid an additional $30 million to the unrelated financial institution for shares which will be settled in the first quarter of fiscal 2014. During fiscal 2012, we repurchased 8 million shares of our common stock for an aggregate purchase price of $313 million. During fiscal 2011, we repurchased 32 million shares of our common stock for an aggregate purchase price of $1,164 million.

Dividends paid in fiscal 2013 totaled $868 million, or $1.32 per share, an 8 percent per share increase from fiscal 2012. Dividends paid in fiscal 2012 totaled $800 million, or $1.22 per share, a 9 percent per share increase from fiscal 2011 dividends of $1.12 per share. On March 12, 2013, our Board of Directors approved a dividend increase, effective with the August 1, 2013 payment, to an annual rate of $1.52 per share, a 15 percent increase from the rate paid in fiscal 2013.

Selected Cash Flows from Joint Ventures

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

		Fiscal Year	
Inflow (Outflow), in Millions	**2013**	2012	2011
Advances to joint ventures, net	**$ (36.7)**	$ (22.2)	$ (1.8)
Dividends received	**115.7**	68.0	72.7

CAPITAL RESOURCES

Total capital consisted of the following:

	May 26,	May 27,
In Millions	**2013**	2012
Notes payable	**$ 599.7**	$ 526.5
Current portion of long-term debt	**1,443.3**	741.2
Long-term debt	**5,926.1**	6,161.9
Total debt	**7,969.1**	7,429.6
Redeemable interest	**967.5**	847.8
Noncontrolling interests	**456.3**	461.0
Stockholders equity	**6,672.2**	6,421.7
Total capital	**$ 16,065.1**	$ 15,160.1

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The following table details the fee-paid committed and uncommitted credit lines we had available as of May 26, 2013:

In Billions	**Amount**
Credit facility expiring:	
April 2015	$1.0
April 2017	1.7
Total committed credit facilities	2.7
Uncommitted credit facilities	0.3
Total committed and uncommitted credit facilities	$3.0

To ensure availability of funds, we maintain bank credit lines sufficient to cover our outstanding short-term borrowings. Commercial paper is a continuing source of short-term financing. We have commercial paper programs available to us in the United States and Europe. Our commercial paper borrowings are supported by $2.7 billion of fee-paid committed credit lines, consisting of a $1.0 billion facility expiring in April 2015 and a $1.7 billion facility expiring in April 2017. We also have $333 million in uncommitted credit lines that support our foreign operations. As of May 26, 2013, there were no amounts outstanding on the fee-paid committed credit lines and $84 million was drawn on the uncommitted lines. The credit facilities contain several covenants, including a requirement to maintain a fixed charge coverage ratio of at least 2.5 times.

Certain of our long-term debt agreements, our credit facilities, and our noncontrolling interests contain restrictive covenants. As of May 26, 2013, we were in compliance with all of these covenants.

We have $1,443 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 26, 2013, our total debt, including the impact of derivative instruments designated as hedges, was 73 percent in fixed-rate and 27 percent in floating-rate instruments, compared to 71 percent in fixed-rate and 29 percent in floating-rate instruments on May 27, 2012. The change in the fixed-rate and floating-rate percentages was driven by the issuance of fixed rate bonds in January 2013.

Growth 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 from 12.7 percent in fiscal 2012 to 11.9 percent in fiscal 2013 primarily reflecting the impact of acquisitions. 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 2013 was 7.62 compared to 6.26 in fiscal 2012. The measure increased from fiscal 2012 as earnings before income taxes and after-tax earnings from joint ventures increased by $324 million and fixed charges decreased by $32 million, driven primarily by lower interest. Our operating cash flow to debt ratio increased 4.3 percentage points to 36.7 percent in fiscal 2013, driven by a higher rate of increase in cash flows from operations than in total debt.

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. Sodiaal holds the remaining interests in each of the entities. We consolidated both entities into our consolidated financial statements. At the date of the acquisition, we recorded the $264 million fair value of Sodiaal s 50 percent interest in Yoplait Marques S.A.S. as a noncontrolling interest, and the $904 million fair value of its 49 percent interest in Yoplait S.A.S. as a redeemable interest on our Consolidated Balance Sheets. These euro-denominated interests are reported in U.S. dollars on our Consolidated Balance Sheets. Sodiaal has the ability to put a limited portion of its redeemable interest to us at fair value once per year up to a maximum of 9 years. As of May 26, 2013, the redemption value of the redeemable interest was $968 million which approximates its fair value.

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

The third-party holder of the GMC Class A Interests receives quarterly preferred distributions from available net income based on the application of a floating preferred return rate, currently equal to the sum of three-month LIBOR plus 110 basis points, to the holder s capital account balance established in the most recent mark-to-market valuation (currently $252 million). The preferred return rate is adjusted every three years through a negotiated agreement with the Class A Interest holder or through a remarketing auction.

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

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

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

As of May 26, 2013, we have issued guarantees and comfort letters of $356 million for the debt and other obligations of consolidated subsidiaries, and guarantees and comfort letters of $259 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 $438 million as of May 26, 2013.

As of May 26, 2013, we had invested in four 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 26, 2013. We determined whether or not we were the primary beneficiary (PB) of each VIE using a qualitative assessment that considered the VIE s purpose and design, the involvement of each of the interest holders, and the risks and benefits of the VIE. We are the PB of three of the VIEs. We provided minimal financial or other support to our VIEs during fiscal 2013, and there are no arrangements related to VIEs that would require us to provide significant financial support in the future.

Our defined benefit plans in the United States are subject to the requirements of the Pension Protection Act (PPA). The PPA revised the basis and methodology for determining defined benefit plan minimum funding requirements as well as maximum contributions to and benefits paid from tax-qualified plans. The PPA may ultimately require us to make additional contributions to our domestic plans. We made $200 million of voluntary contributions to our principal U.S. plans in each of fiscal 2013 and fiscal 2012. We do not expect to be required to make any contributions in fiscal 2014. Actual fiscal 2014 contributions could exceed our current projections, and may be influenced by our decision to undertake discretionary funding of our benefit trusts or by changes in regulatory requirements. Additionally, our projections concerning timing of the PPA funding requirements are subject to change and may be influenced by factors such as general market conditions affecting trust asset performance, interest rates, and our future decisions regarding certain elective provisions of the PPA.

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

	Payments Due by Fiscal Year				
In Millions	Total	2014	2015 -16	2017 -18	2019 and Thereafter
Long-term debt (a)	$ 7,372.8	$ 1,442.0	$ 1,680.8	$ 1,100.0	$3,150.0
Accrued interest	91.2	91.2			
Operating leases (b)	437.7	93.4	135.1	94.7	114.5
Capital leases	4.2	1.8	2.2	0.2	
Purchase obligations (c)	2,582.3	2,215.8	167.6	107.0	91.9