GENERAL MILLS INC
Form 10-K
July 13, 2009

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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 31, 2009

o 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 (IRS 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 o

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 o 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 o

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 o No o

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. o

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

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

Aggregate market value of Common Stock held by non-affiliates of the registrant, based on the closing price of $64.70 per share as reported on the New York Stock Exchange on November 21, 2008 (the last business day of the registrant s most recently completed second fiscal quarter): $21,166.0 million.

Number of shares of Common Stock outstanding as of June 19, 2009: 325,415,936 (excluding 51,890,728 shares held in the treasury).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s Proxy Statement for its 2009 Annual Meeting of Stockholders are incorporated by reference into Part III.

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Part IV

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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 15 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, our mean General Mills, Inc. and all subsidiaries included in the Consolidated Financial Statements in Item 8 of this report unless the context indicates otherwise.

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

PRINCIPAL PRODUCTS

Our major product categories in the United States are ready-to-eat cereals, refrigerated yogurt, ready-to-serve soup, dry dinners, shelf stable and frozen vegetables, refrigerated and frozen dough products, dessert and baking mixes, frozen pizza and pizza snacks, grain, fruit and savory snacks, and a wide variety of organic products including soup, granola bars, and cereal.

In Canada, our major product categories are ready-to-eat cereals, shelf stable and frozen vegetables, dry dinners, refrigerated and frozen dough products, dessert and baking mixes, frozen pizza snacks, and grain, fruit and savory snacks.

In markets outside the United States and Canada, our major product categories include super-premium ice cream and frozen desserts, grain 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.

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, Yoplait Kids, Go-GURT, Fiber One, YoPlus, Yoplait Whips!, and *Colombo*

Refrigerated and frozen dough products

Pillsbury, the *Pillsbury Doughboy* character, *Grands!, Golden Layers, Big Deluxe, Toaster Strudel, Toaster Scrambles, Savorings, Jus-Rol, Latina, Wanchai Ferry, V.Pearl,* and *La Salteña*

Dry dinners and shelf stable and frozen vegetable products

*Betty Crocker, Hamburger Helper, Tuna Helper, Chicken Helper, Old El Paso, Green Giant, Potato Buds, Suddenly Salad, Bac*O s, Betty Crocker Complete Meals, Valley Selections, Simply Steam, Wanchai Ferry,* and *Diablitos*

Grain, fruit, and savory snacks
Nature Valley, Fiber One, Betty Crocker, Fruit Roll-Ups, Fruit By The Foot, Gushers, Stickerz, Chex Mix, Gardetto s, Bugles, and *Lärabar*
Dessert and baking mixes
Betty Crocker, SuperMoist, Warm Delights, Bisquick, and *Gold Medal*
Ready-to-serve soup
Progresso
Ice cream and frozen desserts
Häagen-Dazs
Frozen pizza and pizza snacks
Totino s, Jeno s, Pizza Rolls, Party Pizza, Pillsbury Pizza Pops, and *Pillsbury Pizza Minis*
Organic products
Cascadian Farm and *Muir Glen*

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:

Yoplait for yogurt in the United States;

Dora the Explorer, *Blue s Clues*, *Diego, Backyardigans, Wonder Pets,* and *iCarly* for yogurt, *Dora the Explorer* for cereal, and various Nickelodeon characters for fruit snacks;

Curves and *Second Cup* for snack bars;

Reese s Puffs for cereal;

Hershey s chocolate for a variety of products;

Weight Watchers as an endorsement for soup and frozen vegetable products;

Best Life Diet for a variety of products;

Macaroni Grill for dry 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 characters and brands for fruit snacks, including *Tonka, My Little Pony*, *Transformers, Care Bears*, *Teenage Mutant Ninja Turtles*, *Spider-Man,* and various Warner Bros. 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 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 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 joint venture in Japan. 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.

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 government policy and regulation, weather conditions, or other unforeseen circumstances. 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 hedge 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 $208 million in fiscal 2009, $205 million in fiscal 2008, and $191 million in fiscal 2007.

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.

JOINT VENTURES

In addition to our consolidated operations, we participate in two joint ventures: CPW and a *Häagen-Dazs* ice cream joint venture in Japan. See MD&A in Item 7 of this report for a description of our joint ventures.

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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 2009, Wal-Mart Stores, Inc. and its affiliates (Wal-Mart) accounted for 21 percent of our consolidated net sales and 29 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 5 percent of our net sales in the Bakeries and Foodservice segment. As of May 31, 2009, Wal-Mart accounted for 25 percent of our U.S. Retail receivables, 5 percent of our International receivables, and 15 percent of our Bakeries and Foodservice receivables. The five largest customers in our U.S. Retail segment accounted for 54 percent of its fiscal 2009 net sales, the five largest customers in our International segment accounted for 28 percent of its fiscal 2009 net sales, and the five largest customers in our Bakeries and Foodservice segment accounted for 41 percent of its fiscal 2009 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 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 31, 2009, was not material.

WORKING CAPITAL

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

EMPLOYEES

As of May 31, 2009, we had approximately 30,000 full- and part-time employees.

FOOD QUALITY AND SAFETY REGULATION

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

ENVIRONMENTAL MATTERS

As of May 31, 2009, we were involved with four active cleanup sites associated with the alleged or threatened release of hazardous substances or wastes located in: Sauget, Illinois; Minneapolis, Minnesota; Carter, Montana; 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 6, 2009:

Y. Marc Belton, age 50, is Executive Vice President, Worldwide Health, Brand and New Business Development. Mr. Belton joined General Mills in 1983 and has held various positions, including President of Snacks Unlimited 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 May 2005, and has had oversight responsibility for Worldwide Health, Brand and New Business Development since May 2005.

Mr. Belton was elected a Vice President of General Mills in 1991, a Senior Vice President in 1994, and an Executive Vice President in June 2006. He is a director of Navistar International Corporation and U.S. Bancorp.

John R. Church, age 43, is Senior 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 October 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 March 2007 and to his present position in April 2008.

Michael L. Davis, age 53, 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 August 2005, he became Vice President, Human Resources for the U.S. Retail and Corporate groups. He was named to his current position in January 2008.

Peter C. Erickson, age 48, is Senior 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 March 2003. He was named to his present position in November 2006.

Ian R. Friendly, age 48, 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 May 2004, he was named Chief Executive Officer of CPW. Mr. Friendly was named to his present position in June 2006. He is a director of The Valspar Corporation.

Richard O. Lund, age 59, is Vice President, Controller. Mr. Lund joined General Mills in 1981 and held various positions before becoming Vice President, Director of Financial Operations for the Gold Medal division in 1994. He was appointed Vice President, Corporate Financial Operations in 2000 and was elected to his present position in December 2007. Prior to joining General Mills, Mr. Lund spent 9 years with Coopers & Lybrand (now PricewaterhouseCoopers LLP).

Donal L. Mulligan, age 48, 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 January 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.

Christopher D. O Leary, age 50, 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 June 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 57, is Executive Vice President, General Counsel, Chief Compliance and Risk Management Officer and Secretary. Mr. Palmore joined General Mills in this position in February 2008 from the Sara Lee Corporation. He spent 12 years at Sara Lee, last serving as Executive Vice President and General Counsel.

Kendall J. Powell, age 55, 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 June 2006, Chief Executive Officer in September 2007 and Chairman of the Board in May 2008. He is a director of Medtronic, Inc.

Jeffrey J. Rotsch, age 58, is Executive Vice President, Worldwide Sales and Channel Development. Mr. Rotsch joined General Mills in 1974 and served as the President of several divisions, including Betty Crocker and Big G cereals. He served as Senior Vice President from 1993 to 2005 and as President, Consumer Foods Sales from 1997 to 2005. Mr. Rotsch was named to his present position in May 2005.

Christina L. Shea, age 56, is Senior Vice President, External Relations and President, General Mills Foundation. Ms. Shea joined General Mills in 1977 and has held various positions in the Big G cereals, Yoplait, Gold Medal, Snacks, and Betty Crocker divisions. From 1994 to 1999, she was President of the Betty Crocker division and was named a Senior Vice President of General Mills in 1998. Ms. Shea became President of General Mills Community Action and the General Mills Foundation in 2002 and was named to her present position in May 2005.

AVAILABLE INFORMATION

Availability of Reports We are a reporting company under the Securities Exchange Act of 1934, as amended (1934 Act), and file reports, proxy statements, and other information with the Securities and Exchange Commission (SEC). The public may read and copy any of our filings at the SEC s Public Reference Room at 100 F Street N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the

SEC at (800) 732-0330. Because we submit filings to the SEC electronically, you may access this information at the SEC s internet website: *www.sec.gov.* This site contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

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 1934 Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the 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 decrease their pricing or were to increase their promotional spending, 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.

The five largest customers in our U.S. Retail segment accounted for 54 percent of its net sales for fiscal 2009, the five largest customers in our International segment accounted for 28 percent of its net sales for fiscal 2009, and the five largest customers in our Bakeries and Foodservice segment accounted for 41 percent of its net sales for fiscal 2009. 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.

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 and product scarcity, limited sources of supply, commodity market fluctuations, currency fluctuations, and changes in governmental agricultural and energy programs. 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 depends 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, 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.

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 a material 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 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.

Customer demand for our products may be limited in future periods as a result of increased purchases in response to promotional activity.

Our unit volume in the last week of each quarter can be higher than the average for the preceding weeks of the quarter in certain circumstances. In comparison to the average daily shipments in the first 12 weeks of a quarter, the final week of each quarter may have as much as four days worth of incremental shipments (based on a five-day week), reflecting increased promotional activity at the end of the quarter. This increased activity includes promotions to assure that our customers have sufficient inventory on hand to support major marketing events or increased seasonal demand early in the next quarter, as well as promotions intended to help achieve interim unit volume targets. If, due to quarter-end promotions or other reasons, our customers purchase more product in any reporting period than end-consumer demand will require in future periods, our sales level in future reporting periods could be adversely affected.

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 2009, 18 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;
- 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, British pound sterling, Canadian dollar, Chinese renminbi, euro, Japanese yen, and Mexican peso. 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.

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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 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 and of new laws or regulations restricting our right to advertise products.

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

As of May 31, 2009, we had total debt and minority interests of $7.3 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 minority 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.

The global capital and credit markets, including commercial paper markets, have recently experienced increased volatility and disruption, making it more difficult for companies to access those markets. 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 continued or increased volatility and 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*, *Old El Paso*, 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 31, 2009, we had $10.4 billion of goodwill and indefinite-lived intangible assets. While we currently believe that the fair value of each intangible exceeds its carrying value and that those intangibles so classified will contribute indefinitely to our cash flows, materially different assumptions regarding future performance of our businesses or a different weighted-average cost of capital could result in significant impairment losses and amortization expense.

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Resolution of uncertain income tax matters and changes in tax laws could adversely affect our results of operations or cash flows from operations.

We are subject to income tax in the various jurisdictions in which we operate. Increases in statutory income tax rates in any of the jurisdictions in which we operate could reduce our after-tax income and have an adverse effect on our results of operations.

Our consolidated effective income tax rate is influenced by tax planning opportunities available to us in the various jurisdictions in which we operate. Management judgment is involved in determining our effective tax rate and in evaluating the ultimate resolution of any uncertain tax positions. We are periodically under examination or engaged in a tax controversy. We establish liabilities in a variety of taxing jurisdictions when, despite our belief that our tax return positions are supportable, we believe that certain positions may be challenged and may need to be revised. We adjust these liabilities in light of changing facts and circumstances, such as the progress of a tax audit, and changes in these liabilities affect our effective income tax rate. We also record interest on these liabilities at the appropriate statutory interest rate. These interest charges are also included in our effective tax rate, but are not included in our liabilities for uncertain tax positions disclosed elsewhere in this report. Adjustments to these liabilities for individual issues have generally not exceeded 1 percent of earnings before income taxes and after-tax earnings from joint ventures annually.

The Internal Revenue Service (IRS) has concluded its field examinations of our 2002-2006 federal tax years. With limited exceptions, all matters raised in the field examinations have been resolved. The IRS has challenged the amount of capital loss and depreciation and amortization we reported as a result of our sale of minority interests in our General Mills Cereals, LLC (GMC) subsidiary. The IRS has proposed adjustments that effectively eliminate most of the tax benefits associated with this transaction. We believe we have meritorious defenses and are vigorously defending our positions. We have appealed the results of the IRS field examination to the IRS Appeals Division. Our potential liability for this matter is significant. We have determined that a portion of this matter should be included as a component of our total liabilities for uncertain tax positions as disclosed in Note 14 to our Consolidated Financial Statements included in Item 8 of this report.

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

As of May 31, 2009, we operated 70 facilities for the production of a wide variety of food products. Of these facilities, 44 are located in the United States, 11 in the Asia/Pacific region (7 of which are leased), 3 in Canada (1 of which is leased), 7 in Europe (3 of which are leased), 4 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

Lodi, California

Covington, Georgia

Belvidere, Illinois
West Chicago, Illinois

New Albany, Indiana

Carlisle, Iowa

Cedar Rapids, Iowa

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Reed City, Michigan

Hannibal, Missouri

Kansas City, Missouri

Great Falls, Montana

Vineland, New Jersey

Albuquerque, New Mexico
Buffalo, New York

Wellston, Ohio

Murfreesboro, Tennessee

Milwaukee, Wisconsin

Irapuato, Mexico

International
Buenos Aires, Argentina

Mt. Waverly, Australia

Rooty Hill, Australia

Guangzhou, China

Nanjing, China
Shanghai, China

Arras, France

San Adrian, Spain

Berwick, United Kingdom

Cagua, Venezuela

Bakeries and Foodservice
Federalsburg, Maryland

Chanhassen, Minnesota

Joplin, Missouri

Martel, Ohio

We also own or lease warehouse space totaling 12 million square feet, of which 9 million square feet are leased, that primarily supports our U.S. Retail segment. We own and lease a number of sales and administrative offices in the United States, Canada, and elsewhere around the world, totaling 3 million square feet (700,000 square feet of which are leased).

As part of our Häagen-Dazs business in our International segment, we operate 234 and franchise 417 branded ice cream parlors in various countries around the world, all outside of the United States and Canada. All shops we operate are leased, totaling 227,000 square feet.

ITEM 3 Legal Proceedings

We are the subject of various pending or threatened legal actions in the ordinary course of our business. All such matters are subject to many uncertainties and outcomes that are not predictable with assurance. In our opinion, there were no claims or litigation pending as of May 31, 2009, 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 Submission of Matters to a Vote of Security Holders

None.

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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. On June 19, 2009, there were approximately 32,900 record holders of our common stock. Information regarding the market prices for our common stock and dividend payments for the two most recent fiscal years is set forth in Note 18 to the Consolidated Financial Statements in Item 8 of this report.

The following table sets forth information with respect to shares of our common stock that we purchased during the fiscal quarter ended May 31, 2009:

Issuer Purchases of Equity Securities

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)
Feb. 23, 2009- Mar. 25, 2009	1,267,671	$48.81	1,267,671	22,617,942
Mar. 26, 2009- Apr. 25, 2009	17,525	50.31	17,525	22,600,417
Apr. 26, 2009- May 31, 2009	24,274	52.25	24,274	22,576,143
Total	1,309,470	$48.89	1,309,470	22,576,143

(a) The total number of shares purchased includes: (i) 59,470 shares purchased from the ESOP fund of our 401(k) savings plan; and (ii) 1,250,000 shares purchased in the open market. These amounts include 715 shares acquired at an average price of $51.18 for which settlement occurred after May 31, 2009.

(b) On December 11, 2006, our Board of Directors approved and we announced an authorization for the repurchase of up to 75 million 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 31, 2009:

	Fiscal Year				
In Millions, Except Per Share Data, Percentages and Ratios	**2009**	**2008**	**2007**	**2006**	**2005**
Operating data:					
Net sales	$14,691.3	$13,652.1	$12,441.5	$11,711.3	$11,307.8
Gross margin (a)	5,233.5	4,873.8	4,486.4	4,166.5	3,982.6
Selling, general, and administrative expenses	2,953.9	2,625.0	2,389.3	2,177.7	1,998.6
Segment operating profit (b)	2,640.9	2,405.5	2,260.1	2,111.6	2,016.4
After-tax earnings from joint ventures	91.9	110.8	72.7	69.2	93.9
Net earnings	1,304.4	1,294.7	1,143.9	1,090.3	1,240.0
Depreciation and amortization	453.6	459.2	417.8	423.9	443.1
Advertising and media expense (c)	732.1	587.2	491.4	471.4	426.0
Research and development expense	208.2	204.7	191.1	178.4	165.3
Average shares outstanding:					
Basic	331.9	333.0	346.5	357.7	371.2
Diluted	343.5	346.9	360.2	378.8	408.7
Net earnings per share:					
Basic	$ 3.93	$ 3.86	$ 3.30	$ 3.05	$ 3.34
Diluted	$ 3.80	$ 3.71	$ 3.18	$ 2.90	$ 3.08
Operating ratios:					
Gross margin as a percentage of net sales	35.6%	35.7%	36.1%	35.6%	35.2%
Selling, general, and administrative expenses as a percentage of net sales	20.1%	19.2%	19.2%	18.6%	17.7%
Segment operating profit as a percentage of net sales (b)	18.0%	17.6%	18.2%	18.0%	17.8%
Effective income tax rate	37.3%	34.4%	34.3%	34.5%	36.6%
Return on average total capital (a) (b)	12.3%	11.8%	11.3%	10.6%	10.0%
Balance sheet data:					
Land, buildings, and equipment	$ 3,034.9	$ 3,108.1	$ 3,013.9	$ 2,997.1	$ 3,111.9
Total assets	17,874.8	19,041.6	18,183.7	18,075.3	17,924.0
Long-term debt, excluding current portion	5,754.8	4,348.7	3,217.7	2,414.7	4,255.2
Total debt (a)	7,075.5	6,999.5	6,206.1	6,049.3	6,193.1
Minority interests	242.3	242.3	1,138.8	1,136.2	1,133.2
Stockholders equity	5,174.7	6,215.8	5,319.1	5,772.3	5,676.4
Cash flow data:					
Net cash provided by operating activities	$ 1,828.2	$ 1,729.9	$ 1,751.2	$ 1,843.5	$ 1,785.9
Capital expenditures	562.6	522.0	460.2	360.0	434.0
Net cash provided (used) by investing activities	(288.9)	(442.4)	(597.1)	(370.0)	413.0
Net cash used by financing activities	1,404.5	1,093.0	1,398.1	1,404.3	2,385.0
Fixed charge coverage ratio	5.31	4.87	4.37	4.54	4.61
Operating cash flow to debt ratio (a)	25.8%	24.7%	28.2%	30.5%	28.8%
Share data:					
Low stock price	$ 47.22	$ 51.43	$ 49.27	$ 44.67	$ 43.01
High stock price	70.16	62.50	61.11	52.16	53.89
Closing stock price	51.18	61.09	60.15	51.79	49.68
Cash dividends per common share	1.72	1.57	1.44	1.34	1.24

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

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

(c) Advertising and media expense for years prior to fiscal 2009 have been reclassified to conform to the current period presentation by eliminating certain fees paid to third-parties and adding certain media content development costs.

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

In fiscal 2007, our adoption of a new accounting pronouncement for defined benefit plans resulted in an after-tax reduction to stockholders equity of $440 million, and our adoption of a new accounting pronouncement related to stock compensation resulted in a decrease to fiscal 2007 net earnings of $43 million, and a decrease to fiscal 2007 cash flows from operations and corresponding decrease to cash flows used by financing activities of $73 million. See Notes 2 and 13 to the Consolidated Financial Statements in Item 8 of this report.

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

Our fundamental business goal is to generate superior returns for our stockholders over the long term. We believe that increases in net sales, segment operating profits, earnings per share (EPS), and return on average total capital are the key measures of financial performance for our businesses. See the Non-GAAP Measures section below for our discussion of segment operating profit and return on average total capital, which are not defined by generally accepted accounting principles (GAAP). Our objectives are to consistently deliver:

- low single-digit annual growth in net sales;
- mid single-digit annual growth in total segment operating profit;
- high single-digit annual growth in EPS; and
- on average, at least a 50 basis point annual increase in return on average total capital.

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

For the fiscal year ended May 31, 2009, our net sales grew 8 percent, total segment operating profit grew 10 percent, diluted EPS grew 2 percent, and our return on average total capital improved by 50 basis points. Diluted EPS for fiscal 2009 includes a $0.22 net loss from mark-to-market valuation of certain commodity positions, a net gain of $0.11 related to divestitures in fiscal 2009, an $0.08 gain from a settlement with the insurance carrier covering our *La Salteña* pasta manufacturing facility in Argentina and a $0.15 charge associated with an unfavorable court decision on an uncertain tax matter. Net cash provided by operations totaled $1.8 billion in fiscal 2009, enabling us to increase our annual dividend payments per share by 10 percent from fiscal 2008 and continue returning cash to stockholders through share repurchases, which totaled $1.3 billion in fiscal 2009. We also made significant capital investments totaling $563 million in fiscal 2009, an increase of 8 percent from fiscal 2008, to support future growth and productivity. These results met or exceeded our long-term targets.

We achieved each of our five key operating objectives for fiscal 2009:

We generated broad-based growth in net sales across our businesses. Each of our operating segments posted net sales gains in fiscal 2009. We generated 2 points of growth from volume and 8 points from net price realization and product mix, offset by 2 points of unfavorable foreign currency exchange.

Our cost savings initiatives helped to partially offset input cost inflation in fiscal 2009. We took steps to manage raw material costs, especially with significant commodity cost increases in fiscal 2009. We maintained our efforts on holistic margin management (HMM), which include cost-savings initiatives, marketing spending efficiencies, and profitable sales mix strategies in order to protect our margins, enabling us to reinvest in our brands through higher levels of consumer marketing spending.

We invested a significant amount in media and other brand-building marketing programs, which contributed to net sales growth across our businesses.

We partnered with customers, including traditional food retailers, new retail formats, and various away-from-home channels, in order to enhance shopper insights, introduce new products and extend our existing brands to new markets.

We continued to develop our business in international markets. We focused on our core platforms of super premium ice cream, convenient meal solutions, and healthy snacking by introducing new products and investing in consumer spending.

Details of our financial results are provided in the Fiscal 2009 Consolidated Results of Operations section below.

In fiscal 2010, our plans assume that world economic conditions will remain challenging, and that foreign currency exchange transaction and translation effects will reduce our reported net sales and earnings growth rates. Fiscal 2010 will be 52 weeks compared to 53 weeks in fiscal 2009. We expect our net sales in fiscal 2010 to be comparable to fiscal 2009 as reported. We expect input cost inflation to moderate from fiscal 2009 levels, which together with savings from our HMM initiatives should lead to expanded margins. Our key operating objectives for fiscal 2010 also include a high single digit increase in consumer marketing support. We believe this support, coupled with product innovation and consumer spending investments made in fiscal 2009, will be a key factor in generating unit volume growth, as we believe it builds consumer loyalty, increases our market share, and defends against other branded, private-label and value offerings. Our plans for international include unit volume growth through investment in our brands in growing categories and growth opportunities through distribution gains and innovation. We will also focus on higher-margin, branded product lines within the most attractive foodservice customer channels.

Our plans also call for $630 million of expenditures for capital projects and a significant amount of cash returned to stockholders through share repurchases and dividends. Our long-term objective is to reduce outstanding shares by a net 2 percent per year. We intend to continue repurchasing shares in fiscal 2010, with a goal of reducing average diluted shares outstanding, but at a rate less than our 2 percent long-term objective. On June 29, 2009, our Board of Directors approved a dividend increase to an annual rate of $1.88 per share. This represents a 9 percent compound annual growth rate in dividends from fiscal 2006 to fiscal 2010.

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

FISCAL 2009 CONSOLIDATED RESULTS OF OPERATIONS

For fiscal 2009, we reported diluted EPS of $3.80, up 2 percent from $3.71 per share earned in fiscal 2008. Earnings after tax were $1,304 million in fiscal 2009, up 1 percent from $1,295 million in fiscal 2008.

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

Components of Net Sales Growth

	Fiscal 2009 vs. 2008
Contributions from volume growth (a)	2 pts
Net price realization and mix	8 pts
Foreign currency exchange	-2 pts
Net sales growth	8 pts

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

Net sales for fiscal 2009 grew 8 percent to $14.7 billion, driven by 2 percentage points of volume growth, mainly in our U.S. Retail and International segments, and 8 percentage points of growth from net price realization and mix. This growth was offset by 2 percentage points of unfavorable foreign currency exchange. The 53rd week in fiscal 2009 contributed approximately 1.5 percentage points of net sales growth.

Cost of sales was up $680 million in fiscal 2009 versus fiscal 2008, while cost of sales as a percent of net sales remained essentially flat from fiscal 2008 to fiscal 2009. Higher volume drove $90 million of the increase in cost of sales. Higher input costs and changes in mix increased cost of sales by $453 million. We also recorded a $119 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 $57 million in fiscal 2008. In fiscal 2008, we recorded $18 million of charges to cost of sales, primarily for depreciation associated with restructured assets. Cost of sales for fiscal 2008 also included $21 million of costs, including product write offs, logistics, and other costs, related to voluntary product recalls.

Gross margin grew 7 percent in fiscal 2009 versus fiscal 2008, as operating leverage, cost savings initiatives, and net price realization offset input cost inflation. Gross margin as a percent of net sales decreased by 10 basis points from fiscal 2008 to fiscal 2009.

Selling, general, and administrative (SG&A) expenses increased by $329 million in fiscal 2009 versus fiscal 2008. The increase in SG&A expenses from fiscal 2008 was largely the result of a 17 percent increase in media and other consumer marketing spending consistent with our brand-building strategy, along with higher levels of compensation and benefits expense. We also recorded write downs of $35 million related to various corporate investments in fiscal 2009, compared to a net gain of $16 million in fiscal 2008. These higher costs were partially offset by a $41 million settlement with the insurance carrier covering our *La Salteña* pasta manufacturing plant in Argentina that was destroyed by fire. SG&A expenses as a percent of net sales increased by 90 basis points compared to fiscal 2008.

During fiscal 2009 we recorded a **net divestiture gain** of $85 million. We recorded a gain of $129 million related to the sale of our *Pop Secret* microwave popcorn product line. We recorded a $38 million loss on the sale of a portion of the assets of our frozen unbaked bread dough product line in our Bakeries and Foodservice segment, including the discontinuation of our frozen dinner roll product line in our U.S. Retail segment that shared a divested facility. In addition, we recorded a $6 million loss on the sale of our bread concentrates product line in our Bakeries and Foodservice segment.

Net interest for fiscal 2009 totaled $390 million, $32 million lower than fiscal 2008. Average interest-bearing instruments decreased $264 million leading to a $15 million decrease in net interest, while average interest rates decreased 20 basis points generating a $17 million decrease in net interest. Net interest includes preferred distributions paid on minority interests. The average interest rate on our total outstanding debt and minority interests was 5.6 percent in fiscal 2009 compared to 5.8 percent in fiscal 2008.

Restructuring, impairment, and other exit costs totaled $42 million in fiscal 2009 as follows:

Expense, in Millions

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

In fiscal 2009, due to declining financial results, we approved the restructuring of our International segment s business in Brazil. We discontinued the production and marketing of *Forno De Minas* cheese bread and *Frescarini* pasta brands in Brazil and closed our Contagem, Brazil manufacturing facility. These actions affected 556 employees in our Brazilian operations. Our other product lines in Brazil are not affected by the decision. As a result of this decision, we incurred a charge of $17 million in the fourth quarter of fiscal 2009, consisting primarily of $5 million of employee severance, an $11 million non-cash impairment charge to write down assets to their net realizable value, and $1 million of other costs associated with this restructuring action. Subsequent to the end of our Brazilian subsidiary s fiscal year end of April 30, 2009, we sold all of the production assets and the *Forno De Minas* brand for proceeds of $6 million. We utilized the values of the production assets established as part of the sale to determine the fiscal 2009 impairment charge. We expect this restructuring action to be completed in the second quarter of fiscal 2010.

Due to declining net sales and to improve manufacturing capacity for other product lines, we decided to exit our U.S. Retail segment s *Perfect Portions* refrigerated biscuits product line at our manufacturing facility in Murfreesboro, Tennessee. We recorded an $8 million non-cash impairment charge against long lived assets used for this product line. Our other product lines at Murfreesboro are not affected by the decision, and no employees were affected by this action, which we expect will be completed in the second quarter of fiscal 2010.

In fiscal 2009, we also incurred $17 million of incremental plant closure expenses related to previously announced restructuring activities, including $10 million for the remainder of our lease obligation at our previously closed facility in Trenton, Ontario.

In fiscal 2009 we paid $10 million in cash related to restructuring actions taken in fiscal 2009 and previous years. In fiscal 2010, we expect to incur a nominal amount of expense associated with our previously announced restructuring actions.

Our consolidated **effective income tax rate** for fiscal 2009 was 37.3 percent compared to 34.4 percent in fiscal 2008. The increase in the effective rate is primarily due to the effect of a 2009 U.S. appellate court decision that reversed a 2008 U.S. district court decision. In the third quarter of fiscal 2008, we recorded an income tax benefit of $31 million as a result of a favorable U.S. district court decision on an uncertain tax matter. In the third quarter of fiscal 2009, the U.S. Court of Appeals for the Eighth Circuit issued an opinion reversing the district court decision. As a result, we recorded $53 million (including interest) of income tax expense related to the reversal of cumulative income tax benefits from this uncertain tax matter recognized in fiscal years 1992 through 2008. We expect to make cash tax and interest payments of approximately $32 million in connection with this matter. We are currently evaluating our options for appeal. The rate also increased in fiscal 2009 due to $15 million of tax expense related to nondeductible goodwill write-offs associated with our divestitures.

Other items that decreased the 2009 effective income tax rate include a favorable California appeals court decision that resulted in the recognition of $10 million of tax benefits. In addition, we recognized $21 million of other tax benefits, primarily related to foreign tax credits and audit settlements.

After-tax earnings from joint ventures totaled $92 million in fiscal 2009, compared to $111 million in fiscal 2008. Fiscal 2009 earnings were reduced by a $6 million deferred income tax valuation allowance. In fiscal 2008, earnings included $16 million for our share of a gain on the sale of a Cereal Partners Worldwide (CPW) property in the United Kingdom offset by restructuring expenses of $8 million. Fiscal 2008 results also included $2 million for our share of a gain on the sale of the 8th Continent soymilk business. In fiscal 2009, net sales for CPW increased 2

percent. Volume growth of 4 percentage points, including growth in Russia, Middle East, Asia, and Latin America, and net price realization were offset by unfavorable foreign exchange. Net sales for our Häagen-Dazs joint venture in Japan increased 2 percent in fiscal 2009 as a result of favorable foreign exchange of 11 percentage points and positive net price realization, offset by a decrease in volume.

Average diluted shares outstanding decreased by 3 million from fiscal 2008 primarily due to the repurchase of 20 million shares of common stock in fiscal 2009, offset by the issuance of 14 million shares of common stock in fiscal 2008 to settle a forward contract with an affiliate of Lehman Brothers, Inc. (Lehman Brothers), the issuance of common stock upon stock option exercises, the issuance of annual stock awards, the vesting of restricted stock units, and the issuance of shares to acquire Humm Foods.

FISCAL 2009 CONSOLIDATED BALANCE SHEET ANALYSIS

Cash and cash equivalents increased $89 million from fiscal 2008, as discussed in the Liquidity section below.

Receivables decreased $128 million from fiscal 2008, as a result of foreign exchange translation and sales timing shifts. The allowance for doubtful accounts was essentially unchanged from fiscal 2008.

Inventories decreased $20 million from fiscal 2008 due to a decrease in the values and levels of grain inventories, as well as a $24 million increase in the reserve for the excess of first in, first out (FIFO) inventory costs over last in, first out (LIFO) inventory costs. These decreases were partially offset by higher levels of finished goods.

Prepaid expenses and other current assets decreased $41 million, as commodity and foreign exchange derivative receivables decreased $46 million.

Land, buildings, and equipment decreased $73 million, as capital expenditures of $563 million were partially offset by depreciation expense of $443 million. We also recorded $18 million of impairment charges associated with restructured facilities in Contagem, Brazil and Murfreesboro, Tennessee. In addition, we sold facilities with book values of $84 million in Cedar Rapids, Iowa; Bakersfield, California; Hazelton, Pennsylvania; Montreal, Canada; and Vinita, Oklahoma.

Goodwill and other intangible assets decreased $153 million from fiscal 2008 primarily due to decreases from foreign currency translation of $134 million, divestitures of $42 million, and deferred tax adjustments of $45 million related to divestitures and changes in acquisition related income tax liabilities. These were partially offset by the acquisition of Humm Foods, which increased goodwill and other intangibles by $61 million.

Other assets decreased $855 million from fiscal 2008, driven by a $915 million decrease in our pension asset following our annual update of assumptions and fiscal 2009 asset performance, offset by a $64 million increase in interest rate derivative receivables resulting from a decrease in interest rates.

Accounts payable decreased $134 million to $803 million in fiscal 2009 as a result of lower vendor payables associated with inventories and construction in progress, as well as foreign exchange translation.

Long-term debt, including **current portion,** and **notes payable** increased $76 million from fiscal 2008. We issued senior notes totaling $1.9 billion in fiscal 2009 that we used to repay a portion of our commercial paper.

The current and noncurrent portions of **deferred income taxes** decreased $302 million, due to losses in our pension assets and the book versus tax treatment of certain inventories and investments. We also incurred $216 million of deferred income tax expense in fiscal 2009.

Other current liabilities increased $242 million, driven by increases in accrued taxes of $101 million and a $28 million increase in consumer marketing accruals. We also had an increase in foreign exchange derivatives payable of $19 million.

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Other liabilities increased $8 million, driven by an increase in accrued compensation benefits of $50 million and a $40 million increase in non-current interest derivatives payable, offset by a $88 million decrease in non-current taxes payable.

Retained earnings increased $725 million, reflecting fiscal 2009 net earnings of $1,304 million less dividends paid of $580 million. **Treasury stock** increased $815 million due to $1,296 million of share repurchases, offset by $443 million related to stock based compensation plans and $39 million for shares issued for the acquisition of Humm Foods. **Additional paid in capital** increased $101 million due primarily to an increase from stock compensation activity and $16 million for shares issued in the acquisition of Humm Foods. **Accumulated other comprehensive income (loss)** decreased by $1,052 million after-tax, primarily driven by losses in our pension, other postretirement, and postemployment benefit plans of $1.2 billion.

FISCAL 2008 CONSOLIDATED RESULTS OF OPERATIONS

For fiscal 2008, we reported diluted EPS of $3.71, up 17 percent from $3.18 per share earned in fiscal 2007. Earnings after tax were $1,295 million in fiscal 2008, up 13 percent from $1,144 million in fiscal 2007.

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

Components of Net Sales Growth

	Fiscal 2008 vs. 2007
Contributions from volume growth (a)	3 pts
Net price realization and mix	5 pts
Foreign currency exchange	2 pts
Net sales growth	10 pts

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

Net sales for fiscal 2008 grew 10 percent to $13.7 billion, driven by 3 percentage points from volume growth, mainly in our U.S. Retail and International segments, and 5 percentage points of growth from net price realization and mix across many of our businesses. In addition, foreign currency exchange effects added 2 percentage points of growth. During the second quarter of fiscal 2008, we voluntarily recalled all pepperoni varieties of *Totino s* and *Jeno s* frozen pizza manufactured on or before October 30, 2007 due to potential contamination. We also voluntarily recalled one flavor of *Progresso* soup during the third quarter of fiscal 2008. The frozen pizza and soup recalls did not significantly impact our net sales for fiscal 2008.

Cost of sales was up $823 million in fiscal 2008 versus fiscal 2007. Cost of sales as a percent of net sales in fiscal 2008 increased 40 basis points compared to fiscal 2007. Higher volume drove $207 million of this increase. Higher input costs and changes in mix increased cost of sales by $633 million. We recorded net mark-to-market gains of $60 million related to derivatives on open commodity positions to mitigate input cost inflation, and a $3 million loss from the revaluation of certain grain inventories to market. We also recorded $18 million of charges to cost of sales, primarily for depreciation associated with restructured assets. Our *La Salteña* pasta manufacturing plant in Argentina was destroyed by a fire resulting in a loss of $1 million, net of insurance proceeds, from the write off of inventory and property, plant, and equipment, and severance expense related to this event. Cost of sales for fiscal 2008 also included $21 million of costs, including product write offs, logistics, and other costs, related to the voluntary recalls.

Gross margin grew 9 percent in fiscal 2008 versus fiscal 2007, driven by higher volume, cost savings initiatives, and net price realization. Gross margin as a percent of net sales declined 40 basis points from fiscal 2007 to fiscal 2008. This primarily reflects declines in our Bakeries and Foodservice segment, where we took price increases designed to offset cost increases on a dollar basis, but gross margin as a percent of net sales declined.

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SG&A expenses increased by $236 million in fiscal 2008 versus fiscal 2007. The increase in SG&A expenses from fiscal 2007 was largely the result of a 13 percent increase in media and other consumer marketing spending consistent with our brand-building strategy, $30 million more foreign exchange losses than the previous year, higher levels of compensation and benefits, a 7 percent increase in research and development expense supporting our innovation initiatives, and $9 million of costs associated with the remarketing of the Class A and Series B-1 Interests in our General Mills Cereals, LLC (GMC) subsidiary. SG&A expenses as a percent of net sales was essentially flat compared to fiscal 2007.

Net interest for fiscal 2008 totaled $422 million, $5 million lower than fiscal 2007. Average interest-bearing instruments increased $467 million leading to a $29 million increase in net interest, while average interest rates decreased 50 basis points generating a $34 million decrease in net interest. Net interest includes preferred distributions paid on minority interests.

Restructuring, impairment, and other exit costs totaled $21 million in fiscal 2008 as follows:

Expense (Income), in Millions	
Closure of Poplar, Wisconsin plant	$ 2.7
Closure and sale of Allentown, Pennsylvania frozen waffle plant	9.4
Closure of leased Trenton, Ontario frozen dough plant	10.9
Restructuring of production scheduling and discontinuation of cake product line at Chanhassen, Minnesota plant	1.6
Gain on sale of previously closed Vallejo, California plant	(7.1)
Charges associated with restructuring actions previously announced	3.5
Total	$ 21.0

During fiscal 2008, we approved a plan to transfer *Old El Paso* production from our Poplar, Wisconsin facility to other plants and to close the Poplar facility. This action to improve capacity utilization and reduce costs affected 113 employees at the Poplar facility, and resulted in a charge of $3 million consisting entirely of employee severance. Due to declining financial results, we decided to exit our frozen waffle product line (retail and foodservice) and to close our frozen waffle plant in Allentown, Pennsylvania, affecting 111 employees. We recorded a $3 million charge for employee severance and a $6 million non-cash impairment charge against long-lived assets at the plant. We also completed an analysis of the viability of our Bakeries and Foodservice frozen dough facility in Trenton, Ontario, and closed the facility, affecting 470 employees. We recorded an $8 million charge for employee expenses and a $3 million charge for shutdown and decommissioning costs. We also restructured our production scheduling and discontinued our cake production line at our Chanhassen, Minnesota Bakeries and Foodservice plant. These actions affected 125 employees, and we recorded a $3 million charge for employee severance, partially offset by a $1 million gain from the sale of long-lived assets. All of the foregoing actions were completed in fiscal 2009. Finally, we recorded additional charges of $4 million primarily related to previously announced Bakeries and Foodservice segment restructuring actions, including employee severance for 38 employees, that were completed in fiscal 2008.

In addition, during fiscal 2008 we recorded an $18 million non-cash charge related to depreciation associated with restructured assets at our plant in Trenton, Ontario and $1 million of inventory write offs at our plants in Chanhassen, Minnesota and Allentown, Pennsylvania. These charges are recorded in cost of sales in our Consolidated Statements of Earnings and in unallocated corporate items in our segment results.

Our consolidated **effective income tax rate** for fiscal 2008 was 34.4 percent compared to 34.3 percent for the same period of fiscal 2007. The 0.1 percentage point increase was the result of an increase in the state income tax rate due to more income in higher rate jurisdictions and lower foreign tax credits. These items were offset by a favorable U.S. district court decision on an uncertain tax matter that reduced our liability for uncertain tax positions and related accrued interest by $31 million. As discussed above under the heading Fiscal 2009 Consolidated Results of Operations , this decision was reversed by a U.S. appellate court decision in fiscal 2009.

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After-tax earnings from joint ventures totaled $111 million in fiscal 2008, compared to $73 million in fiscal 2007. In fiscal 2008, net sales for CPW grew 23 percent driven by higher volume, key new product introductions including *Oats & More* in the United Kingdom and *Nesquik Duo* across a number of regions, favorable foreign currency effects, and the benefit of a full year of sales from the Uncle Tobys acquisition, which closed in July 2006. Our fiscal 2008 after-tax earnings from joint ventures was benefited by $16 million for our share of a gain on the sale of a CPW property in the United Kingdom offset by restructuring expenses of $8 million. Net sales for our Häagen-Dazs joint ventures in Asia increased 16 percent in fiscal 2008 as a result of favorable foreign exchange and introductory product shipments. During the third quarter of fiscal 2008, the 8th Continent soymilk business was sold. Our 50 percent share of the after-tax gain on the sale was $2 million.

Average diluted shares outstanding decreased by 13 million from fiscal 2007 due to our repurchase of 24 million shares of stock during fiscal 2008, partially offset by the issuance of 14 million shares to settle a forward purchase contract with an affiliate of Lehman Brothers, the issuance of shares upon stock option exercises, the issuance of annual stock awards, and the vesting of restricted stock units.

RESULTS OF SEGMENT OPERATIONS

Our businesses are organized into three operating segments: U.S. Retail; International; and Bakeries and Foodservice. The following tables provide the dollar amount and percentage of net sales and operating profit from each segment for fiscal years 2009, 2008, and 2007:

Net Sales

In Millions	Net Sales 2009	Percent of Net Sales 2009	Net Sales 2008	Percent of Net Sales 2008	Net Sales 2007	Percent of Net Sales 2007
			Fiscal Year			
U.S. Retail	$ 10,052.1	68%	$ 9,072.0	66%	$ 8,491.3	68%
International	2,591.4	18	2,558.8	19	2,123.4	17
Bakeries and Foodservice	2,047.8	14	2,021.3	15	1,826.8	15
Total	$ 14,691.3	100%	$ 13,652.1	100%	$ 12,441.5	100%

Segment Operating Profit

In Millions	Segment Operating Profit 2009	Percent of Segment Operating Profit 2009	Segment Operating Profit 2008	Percent of Segment Operating Profit 2008	Segment Operating Profit 2007	Percent of Segment Operating Profit 2007
			Fiscal Year			
U.S. Retail	$ 2,208.5	84%	$ 1,971.2	82%	$ 1,896.6	84%
International	261.4	10	268.9	11	215.7	10
Bakeries and Foodservice	171.0	6	165.4	7	147.8	6
Total	$ 2,640.9	100%	$ 2,405.5	100%	$ 2,260.1	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.

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U.S. RETAIL SEGMENT

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

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

Components of U.S. Retail Net Sales Growth

	Fiscal 2009 vs. 2008	**Fiscal 2008 vs. 2007**
Contributions from volume growth (a)	4 pts	3 pts
Net price realization and mix	7 pts	4 pts
Net sales growth	11 pts	7 pts

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

In fiscal 2009, net sales for our U.S. Retail segment were $10.1 billion, up 11 percent from fiscal 2008. Net price realization and mix added 7 percentage points of growth and volume on a tonnage basis contributed 4 percentage points of growth.

Net sales for this segment totaled $9.1 billion in fiscal 2008 and $8.5 billion in fiscal 2007. The growth in fiscal 2008 net sales was the result of a 4 percentage point benefit from net price realization and mix, as well as a 3 percentage point increase in volume in fiscal 2008 versus fiscal 2007, led by strong growth in our grain snacks and yogurt businesses.

All of our U.S. Retail divisions experienced net sales growth in fiscal 2009 as shown in the tables below:

U.S. Retail Net Sales by Division

	Fiscal Year		
In Millions	**2009**	**2008**	**2007**
Big G	$ 2,259.5	$ 2,028.0	$ 1,932.9
Meals	2,157.1	2,006.1	1,909.2
Pillsbury	1,869.8	1,673.4	1,591.4
Yoplait	1,468.9	1,293.1	1,170.7
Snacks	1,246.6	1,197.6	1,066.5
Baking Products	850.7	723.3	666.7
Small Planet Foods and Other	199.5	150.5	153.9
Total	$ 10,052.1	$ 9,072.0	$ 8,491.3

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U.S. Retail Change in Net Sales by Division

	Fiscal 2009 vs. 2008	Fiscal 2008 vs. 2007
Big G	11%	5%
Meals	8	5
Pillsbury	12	5
Yoplait	14	10
Snacks	4	12
Baking Products	18	8
Small Planet Foods	30	6
Total	11%	7%

In fiscal 2009, Big G cereals net sales increased 11 percent driven by growth across the portfolio, including gains on *MultiGrain Cheerios*, *Honey Nut Cheerios*, *Cinnamon Toast Crunch,* and the *Fiber One* cereals. Net sales for Meals grew 8 percent led by *Helper* dinner mixes, the new *Macaroni Grill* dinner mix line, and *Green Giant* frozen vegetables. Pillsbury net sales increased 12 percent led by *Totino s* pizza and *Pizza Rolls* snacks, *Pillsbury* refrigerated dough products, and new *Pillsbury Savorings* frozen appetizers. Yoplait net sales grew 14 percent led by contributions from *Yoplait Light*. Net sales for Snacks increased 4 percent, as gains in grain snacks including *Fiber One* bars and *Chex Mix* more than offset the reduction in sales from the divestiture of *Pop Secret* this year. Baking Products net sales grew 18 percent reflecting gains in *Betty Crocker* dessert mixes, *Bisquick* baking mix, and *Gold Medal* flour. Net sales for Small Planet Foods grew 30 percent including contributions from the *Lärabar* product line acquired in fiscal 2009.

For fiscal 2008, Big G cereals net sales grew 5 percent, driven by growth in core brands including *Cheerios* varieties and *Fiber One* cereals. Net sales for Meals grew by 5 percent led by *Progresso* ready-to-serve soups. Pillsbury net sales increased 5 percent led by *Totino s* frozen pizza and hot snacks and *Pillsbury* refrigerated baked goods. Yoplait net sales grew 10 percent due to growth on *Yoplait Light* yogurt and new products including *Yo-Plus* and *Fiber One* yogurt. Net sales for Snacks grew 12 percent led by increased sales for *Nature Valley* grain snacks and *Fiber One* bars. Baking Products net sales grew 8 percent due to increases in *Betty Crocker* cookie mixes, *Gold Medal* flour, and the launch of *Warm Delights* Minis.

Segment operating profit of $2.2 billion in fiscal 2009 improved $237 million, or 12 percent, over fiscal 2008. Net price realization and mix increased segment operating profit by $596 million, and volume growth increased segment operating profit by $146 million. These were partially offset by increased supply chain input costs of $338 million, a 19 percent increase in consumer marketing expense consistent with our brand-building strategy, and higher administrative costs. In fiscal 2008, voluntary product recalls reduced segment operating profit by $24 million.

Segment operating profit of $2.0 billion in fiscal 2008 improved $75 million, or 4 percent, over fiscal 2007. Net price realization and mix increased segment operating profit by $317 million, and volume growth increased segment operating profit by $95 million. These were offset by increased supply chain input costs of $181 million, higher administrative costs, and a 12 percent increase in consumer marketing expense consistent with our brand-building strategy. Voluntary product recalls reduced segment operating profit by $24 million.

INTERNATIONAL SEGMENT

In Canada, our major product categories are ready-to-eat cereals, shelf stable and frozen vegetables, dry dinners, refrigerated and frozen dough products, dessert and baking mixes, frozen pizza snacks, and grain, fruit and savory snacks. In markets outside North America, our product categories include super-premium ice cream, grain snacks, shelf stable and frozen vegetables, dough products, and dry dinners. Our International segment also includes products manufactured in the United States for export, mainly to Caribbean and Latin American markets, as well as products we manufacture for sale to our international joint ventures. Revenues from export activities are reported in the region or country where the end customer is located. These international businesses are managed through 34 sales and marketing offices.

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

Components of International Net Sales Growth

	Fiscal 2009 vs. 2008	Fiscal 2008 vs. 2007
Contributions from volume growth (a)	1 pts	6 pts
Net price realization and mix	9 pts	5 pts
Foreign currency exchange	-9 pts	9 pts
Net sales growth	1 pts	20 pts

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

For fiscal 2009, net sales for our International segment were $2,591 million, up 1 percent from fiscal 2008. This growth was driven by 9 percentage points of net price realization and mix and 1 percentage point of volume growth, offset by 9 percentage points of unfavorable foreign exchange.

Net sales totaled $2,559 million in fiscal 2008, up 20 percent from $2,123 million in fiscal 2007. The growth in fiscal 2008 was driven mainly by 9 percentage points of favorable foreign exchange, in addition to a 6 percentage point increase in volume growth and a 5 percentage point increase in net price realization and mix.

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

International Net Sales by Geographic Region

		Fiscal Year	
In Millions	**2009**	**2008**	**2007**
Europe	$ 857.8	$ 898.5	$ 756.3
Canada	651.8	697.0	610.4
Asia/Pacific	635.8	577.4	462.0
Latin America	446.0	385.9	294.7
Total	$ 2,591.4	$ 2,558.8	$ 2,123.4

International Change in Net Sales by Geographic Region

	Fiscal 2009 vs. 2008	Fiscal 2008 vs. 2007
Europe	-5%	19%
Canada	-6	14
Asia/Pacific	10	25
Latin America	16	31

Total	1%	20%

In fiscal 2009, net sales in Europe decreased by 5 percent driven by 9 points of unfavorable foreign currency exchange, partially offset by net sales growth of *Old El Paso* across Europe and dough products in the United Kingdom. Net sales in Canada decreased 6 percent due to 13 points of unfavorable foreign currency exchange partially offset by growth from cereal products and *Fiber One* bars. Net sales in the Asia/Pacific region increased by 10 percent, including sales growth for *Häagen-Dazs* and *Wanchai Ferry* brands in China, and increased sales of *Old El Paso* and *Latina* in Australia. Latin America net sales increased 16 percent due to net price realization and the sales volume recovery in Argentina after a fire destroyed our *La Salteña* manufacturing facility in fiscal 2008.

In fiscal 2008, net sales in Europe increased 19 percent reflecting performance from *Old El Paso* and *Häagen-Dazs* in the United Kingdom. Continued success from the launch of *Nature Valley* granola bars in several European markets and favorable foreign exchange also contributed to the region s growth. Net sales in Canada increased 14 percent including favorable foreign exchange. In the Asia/Pacific region, net sales increased 25 percent led by double-digit growth for *Häagen-Dazs* ice cream and *Wanchai Ferry* dumplings and meal kits in China. In Latin America, net sales increased 31 percent led by *Diablitos* canned meat spread in Venezuela and net price realization in other countries, partially offset by lost sales following our plant fire in Argentina.

Segment operating profit for fiscal 2009 declined 3 percent to $261 million from $269 million in the same period a year ago driven by a 14 percentage point decrease due to unfavorable foreign exchange. Increases in net price realization and mix and volume growth offset increases in supply chain input costs of $16 million and a 3 percent increase in consumer marketing expense.

Segment operating profit for fiscal 2008 grew to $269 million, up 25 percent from fiscal 2007, with foreign currency exchange contributing 9 percentage points of that growth. Segment operating profit increased by $38 million from higher volumes. Net price realization and mix more than offset higher supply chain input costs, a 22 percent increase in consumer marketing expense, and administrative cost increases.

BAKERIES AND FOODSERVICE SEGMENT

In our Bakeries and Foodservice segment we sell branded ready-to-eat cereals, snacks, dinner and side dish products, refrigerated and soft-serve frozen yogurt, frozen dough products, branded baking mixes, and custom food items. Our customers include foodservice distributors and operators, convenience stores, vending machine operators, quick service and other restaurant operators, and business and school cafeterias in the United States and Canada. In addition, we market mixes and unbaked and fully baked frozen dough products throughout the United States and Canada to retail, supermarket, and wholesale bakeries.

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

Components of Bakeries and Foodservice Net Sales Growth

	Fiscal 2009 vs. 2008	**Fiscal 2008 vs. 2007**
Contributions from volume growth (a)	-6 pts	-3 pts
Net price realization and mix	7 pts	14 pts
Foreign currency exchange	Flat	Flat
Net sales growth	1 pts	11 pts

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

For fiscal 2009, net sales for our Bakeries and Foodservice segment increased 1 percent to $2,048 million. The increase in fiscal 2009 was driven by 7 percentage points of net price realization and mix. This was offset by a 6 percentage point decrease in volume, mainly in the distributors and restaurants customer channel, including the effects of divested product lines.

For fiscal 2008, net sales for our Bakeries and Foodservice segment increased to $2,021 million. The growth in fiscal 2008 net sales was driven by 14 percentage points of benefit from net price realization and mix, as we took price increases to offset higher supply chain input costs. This was partially offset by a 3 percentage point decline in volume.

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

Bakeries and Foodservice Net Sales by Customer Segment

		Fiscal Year	
In Millions	**2009**	**2008**	**2007**

Distributors and restaurants	$ 890.1	$ 902.0	$ 864.8
Bakery channels	950.8	927.8	780.5
Convenience stores and vending	206.9	191.5	181.5
Total	$ 2,047.8	$ 2,021.3	$ 1,826.8

Bakeries and Foodservice Change in Net Sales by Customer Segment

	Fiscal 2009 vs. 2008	Fiscal 2008 vs. 2007
Distributors and restaurants	-1%	4%
Bakery channels	2	19
Convenience stores and vending	8	6
Total	1%	11%

In fiscal 2009, segment operating profits were $171 million, up 3 percent from $165 million in fiscal 2008. The increase was due to margin expansion and HMM efforts which offset significant volume declines and lower grain merchandising activities.

Segment operating profits were $165 million in fiscal 2008, up 12 percent from $148 million in fiscal 2007. The increase for the year was driven by grain merchandising activities and benefits from prior restructuring activities. Net price realization and mix offset higher supply chain input costs and a decrease in volume.

UNALLOCATED CORPORATE ITEMS

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

For fiscal 2009, unallocated corporate items totaled $361 million of expense compared to $157 million of expense for the same period last year. The $204 million increase in expense was driven primarily by a $176 million net increase in expense related to mark-to-market valuations of certain commodity positions and grain inventories. We also recorded write downs of $35 million related to various corporate investments in fiscal 2009, compared to a net gain of $16 million in fiscal 2008, and a $16 million increase in contributions to the General Mills Foundation, offset by a fiscal 2009 gain from an insurance settlement as discussed above under the heading Fiscal 2009 Consolidated Results of Operations .

Unallocated corporate items were $157 million in fiscal 2008 compared to $163 million in fiscal 2007. During fiscal 2008, we recognized a net gain of $57 million related to the mark-to-market valuation of certain commodity positions and a previously deferred gain of $11 million on the sale of a corporate investment. These gains were offset by $26 million of unfavorable foreign exchange, $18 million of charges to cost of sales, primarily depreciation on long-lived assets associated with previously announced restructuring actions, and $9 million of expense related to the remarketing of minority interests in our GMC subsidiary.

JOINT VENTURES

In addition to our consolidated operations, we participate in several joint ventures.

International 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 have guaranteed a portion of CPW s debt and its pension obligation in the United Kingdom. Results from our CPW joint venture are reported for the 12 months ended March 31.

On July 14, 2006, CPW acquired the Uncle Tobys cereal business in Australia for $386 million. We funded our 50 percent share of the purchase price by making additional advances to and equity contributions in CPW totaling $135 million (classified as investments in affiliates, net on the Consolidated Statements of Cash Flows) and by acquiring a 50 percent undivided interest in certain intellectual property for $58 million (classified as acquisitions on

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the Consolidated Statements of Cash Flows). We funded the advances to and our equity contribution in CPW from cash generated by our international operations, including our international joint ventures.

We also have a 50 percent equity interest in Häagen-Dazs Japan, Inc. This joint venture manufactures, distributes, and markets *Häagen-Dazs* ice cream products and frozen novelties. In fiscal 2007, we changed the reporting period for this joint venture. Accordingly, fiscal 2007 includes only 11 months of results from this joint venture compared to 12 months in fiscal 2009 and fiscal 2008.

Domestic Joint Venture

During fiscal 2008, the 8th Continent soy milk business was sold. We recorded a $2 million gain in fiscal 2008 reflecting our 50 percent share of the after-tax gain on the sale. We will record approximately $1 million of additional gain in the first quarter of fiscal 2010 if certain conditions related to the sale are satisfied.

Our share of after-tax joint venture earnings decreased from $111 million in fiscal 2008 to $92 million in fiscal 2009. In fiscal 2009, earnings were reduced by a $6 million deferred income tax valuation allowance. In fiscal 2008, earnings included $16 million for our share of a gain on the sale of a CPW property in the United Kingdom offset by restructuring expenses of $8 million. Also, fiscal 2008 results included $2 million for our share of a gain on the sale of the 8th Continent soymilk business.

Our after-tax share of CPW restructuring, impairment, and other exit costs was as follows:

	Fiscal Year		
Expense (Income), in Millions	**2009**	**2008**	**2007**
Gain on sale of property	$	$ (15.9)	$
Depreciation associated with restructured assets		4.5	8.2
Other charges resulting from restructuring actions		3.2	
Total	$	$ (8.2)	$ 8.2

Our share of after-tax joint venture earnings increased from $73 million in fiscal 2007 to $111 million in fiscal 2008. This growth was largely driven by strong sales growth, favorable foreign exchange, and our share of the gain from the sale of a CPW property.

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

Joint Venture Change in Net Sales

	Fiscal 2009 vs. 2008	**Fiscal 2008 vs. 2007**
CPW	2%	23%
Häagen-Dazs (12 months in fiscal 2009 and fiscal 2008 and 11 months in fiscal 2007)	2	16
Joint Ventures	2%	21%

For fiscal 2009, CPW net sales grew by 2 percent reflecting higher volume and net price realization, slightly offset by unfavorable foreign currency exchange. Net sales for our Häagen-Dazs joint venture increased 2 percent from fiscal 2008 as a result of favorable foreign exchange of 11 percentage points and positive net price realization, offset by a decrease in volume.

For fiscal 2008, CPW net sales grew by 23 percent reflecting higher volume, key new product introductions including *Oats & More* in the United Kingdom and *Nesquik Duo* across a number of regions, favorable foreign currency effects, and the benefit of a full year of sales from the fiscal 2007 Uncle Tobys acquisition. Net sales for our Häagen-Dazs joint venture increased 16 percent from fiscal 2007, as a result of favorable foreign exchange and introductory product shipments.

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

Selected Cash Flows from Joint Ventures

Inflow (Outflow), in Millions	Fiscal Year 2009	2008	2007
Advances to joint ventures	$ (14.2)	$ (20.6)	$ (141.4)
Repayments of advances	22.4	95.8	38.0
Dividends received	68.5	108.7	45.2

IMPACT OF INFLATION

We have experienced high levels of input cost inflation since fiscal 2006. Our gross margin performance in fiscal 2009 reflects the impact of significant input cost inflation, primarily from commodities and energy inputs. We expect the rate of inflation to moderate in fiscal 2010. We attempt to minimize the effects of inflation through appropriate planning and operating practices. Our risk management practices are discussed in Item 7A of this report.

LIQUIDITY

The primary source of our liquidity is cash flow from operations. Over the most recent three-year period, our operations have generated $5.3 billion in cash. A substantial portion of this operating cash flow has been returned to stockholders through share repurchases and dividends. We also use this source of liquidity to fund our capital expenditures. We typically use a combination of cash, notes payable, and long-term debt to finance acquisitions and major capital expansions.

Cash Flows from Operations

In Millions	Fiscal Year 2009	2008	2007
Net earnings	$ 1,304.4	$ 1,294.7	$ 1,143.9
Depreciation and amortization	453.6	459.2	417.8
After-tax earnings from joint ventures	(91.9)	(110.8)	(72.7)
Stock-based compensation	117.7	133.2	127.1
Deferred income taxes	215.8	98.1	26.0
Tax benefit on exercised options	(89.1)	(55.7)	(73.1)
Distributions of earnings from joint ventures	68.5	108.7	45.2
Pension and other postretirement benefit plan contributions	(220.3)	(14.2)	(60.6)
Pension and other postretirement benefit plan (income) expense	(27.5)	5.5	5.6
Divestitures (gain), net	(84.9)		
Gain on insurance settlement	(41.3)		
Restructuring, impairment, and other exit costs (income)	31.3	(1.7)	39.1
Changes in current assets and liabilities	176.9	(126.7)	149.1
Other, net	15.0	(60.4)	3.8
Net cash provided by operating activities	$ 1,828.2	$ 1,729.9	$ 1,751.2

In fiscal 2009, our operations generated $1,828 million of cash compared to $1,730 million in fiscal 2008, primarily reflecting a $304 million reduction in the use of working capital in fiscal 2009. Inventories used $137 million less cash and accounts payable used $242 million more cash year over year due to decreases in grain prices and grain inventory levels in fiscal 2009. Other current liabilities were a $136 million increased source of cash, primarily due to lower cash taxes paid and higher consumer marketing accruals. Other current assets provided $96 million more cash, primarily due to changes in currency and commodity derivative receivables. Accounts receivable provided

$176 million more cash driven by sales timing shifts and improvements in collections in certain international markets. The favorable change in working capital was offset by a $200 million voluntary contribution made to our principal domestic pension plans.

We strive to grow a key measure, core working capital, at or below our growth in net sales. For fiscal 2009, core working capital declined 1 percent, compared to net sales growth of 8 percent, largely driven by a decrease in inventory in fiscal 2009. In fiscal 2008, core working capital grew 12 percent, more than net sales growth of 10 percent, and in fiscal 2007, core working capital grew 4 percent, less than net sales growth of 6 percent.

Our cash flows from operations decreased $21 million from fiscal 2007 to fiscal 2008 as a $151 million increase in net earnings and a $72 million effect of changes in deferred income taxes were more than offset by the $276 million increase in the use of cash for working capital.

Cash Flows from Investing Activities

		Fiscal Year	
In Millions	**2009**	**2008**	**2007**
Purchases of land, buildings, and equipment	$ (562.6)	$ (522.0)	$ (460.2)
Acquisitions		0.6	(83.4)
Investments in affiliates, net	5.9	64.6	(100.5)
Proceeds from disposal of land, buildings, and equipment	4.1	25.9	13.8
Proceeds from divestitures of product lines	244.7		13.5
Proceeds from insurance settlement	41.3		
Other, net	(22.3)	(11.5)	19.7
Net cash used by investing activities	$ (288.9)	$ (442.4)	$ (597.1)

In fiscal 2009, cash used by investing activities decreased by $154 million from fiscal 2008 primarily due to proceeds of $245 million from the sale of certain product lines. We also received insurance proceeds of $41 million in the third quarter of fiscal 2009 from the settlement with the insurance carrier covering the loss at our *La Salteña* pasta manufacturing facility in Argentina. These proceeds will offset the capital expenditures required to replace the manufacturing facility that was destroyed by fire in fiscal 2008.

Capital expenditures in fiscal 2009 increased $41 million from the same period last year as we increased manufacturing capacity for our cereal, snack bars, soup, and yogurt products.

In fiscal 2008, cash used by investing activities decreased by $155 million from fiscal 2007. During fiscal 2008, we sold our former production facilities in Vallejo, California and Allentown, Pennsylvania, while in fiscal 2007 we sold our frozen pie product line, including a plant in Rochester, New York, and our par-baked bread product line, including plants in Chelsea, Massachusetts and Tempe, Arizona. These sale proceeds were offset by the funding of our share of CPW s acquisition of the Uncle Tobys cereal business in Australia (reflected in acquisitions and investments in affiliates, net), and our acquisition of Saxby Bros. Limited and our master franchisee of *Häagen-Dazs* shops in Greece. In addition, capital investment for land, buildings, and equipment increased by $62 million, as we continued to increase manufacturing capacity for our snack bars and yogurt products and began consolidating manufacturing for our *Old El Paso* product line.

We expect capital expenditures to increase to approximately $630 million in fiscal 2010, including initiatives that will: increase manufacturing capacity for *Yoplait* yogurt, *Totino s Pizza Rolls* pizza snacks, and cereals; continue productivity increases throughout the supply chain; rebuild the pasta plant in Argentina that was destroyed by fire in fiscal 2008; and expand International production capacity for *Wanchai Ferry* products and *Old El Paso* tortillas.

Cash Flows from Financing Activities

In Millions	Fiscal Year 2009	2008	2007
Change in notes payable	$ (1,390.5)	$ 946.6	$ (280.4)
Issuance of long-term debt	1,850.0	1,450.0	2,650.0
Payment of long-term debt	(370.3)	(1,623.4)	(2,323.2)
Settlement of Lehman Brothers forward purchase contract		750.0	
Repurchase of Series B-1 limited membership interests in GMC		(843.0)	
Repurchase of General Mills Capital, Inc. preferred stock		(150.0)	
Proceeds from sale of Class A limited membership interests in GMC		92.3	
Proceeds from common stock issued on exercised options	305.2	191.4	317.4
Tax benefit on exercised options	89.1	55.7	73.1
Purchases of common stock for treasury	(1,296.4)	(1,432.4)	(1,320.7)
Dividends paid	(579.5)	(529.7)	(505.2)
Other, net	(12.1)	(0.5)	(9.1)
Net cash used by financing activities	$ (1,404.5)	$ (1,093.0)	$ (1,398.1)

Net cash used by financing activities increased by $312 million in fiscal 2009.

In January 2009, we sold $1.2 billion aggregate principal amount of our 5.65 percent notes due 2019. In August 2008, we sold $700 million aggregate principal amount of our 5.25 percent notes due 2013. The proceeds of these notes were used to repay a portion of our outstanding commercial paper. Interest on the 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.

On October 15, 2007, we settled the forward contract established with Lehman Brothers in October 2004 in conjunction with the issuance by Lehman Brothers of $750 million of notes that were mandatorily exchangeable for shares of our common stock. In settlement of that forward contract, we issued 14 million shares of our common stock and received $750 million in cash from Lehman Brothers. We used the cash to reduce outstanding commercial paper balances.

On August 7, 2007, we repurchased for a net amount of $843 million all of the outstanding Series B-1 Interests in GMC as part of a required remarketing of those interests. The purchase price reflected the Series B-1 Interests original capital account balance of $835 million and $8 million of capital account appreciation attributable and paid to the third party holder of the Series B-1 Interests. The capital appreciation paid to the third party holder of the Series B-1 Interests was recorded as a reduction to retained earnings, a component of stockholders equity, on our Consolidated Balance Sheets, and reduced net earnings available to common stockholders in our basic and diluted EPS calculations.

In April 2007, we issued $1.15 billion of floating rate convertible senior notes. In April 2008, holders of $1.14 billion of those notes tendered them to us for repurchase. In April 2009, we repurchased all of the remaining outstanding notes. We issued commercial paper to fund the repurchases.

We and the third party holder of all of GMC s outstanding Class A limited membership interests (Class A Interests) agreed to reset, effective on June 28, 2007, the preferred rate of return applicable to the Class A Interests to the sum of three-month LIBOR plus 65 basis points. On June 28, 2007, we sold $92 million of additional Class A Interests to the same third party. There was no gain or loss associated with these transactions. As of May 31, 2009, the carrying value of all outstanding Class A Interests on our Consolidated Balance Sheets was $242 million, and the capital account balance of the Class A Interests upon which preferred distributions are calculated was $248 million.

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On June 28, 2007, we repurchased for $150 million all of the outstanding Series A preferred stock of our subsidiary General Mills Capital, Inc. using proceeds from the sale of the Class A Interests and commercial paper. There was no gain or loss associated with this repurchase.

During fiscal 2009, we repurchased 20 million shares of our common stock for an aggregate purchase price of $1,296 million. During fiscal 2008, we repurchased 24 million shares of our common stock for an aggregate purchase price of $1,368 million. During fiscal 2007, we repurchased 25 million shares of our common stock for an aggregate purchase price of $1,385 million, of which $64 million settled after the end of our fiscal year. In fiscal 2007, our Board of Directors authorized the repurchase of up to 75 million shares of our common stock. Purchases under the authorization can be made in the open market or in privately negotiated transactions, including the use of call options and other derivative instruments, Rule 10b5-1 trading plans, and accelerated repurchase programs. The authorization has no specified termination date.

Dividends paid in fiscal 2009 totaled $580 million, or $1.72 per share, a 10 percent per share increase from fiscal 2008. Dividends paid in fiscal 2008 totaled $530 million, or $1.57 per share, a 9 percent per share increase from fiscal 2007 dividends of $1.44 per share. Our Board of Directors approved a quarterly dividend increase from $0.43 per share to $0.47 per share effective with the dividend payable on August 1, 2009.

CAPITAL RESOURCES

Total capital consisted of the following:

In Millions	May 31, 2009	May 25, 2008
Notes payable	$ 812.2	$ 2,208.8
Current portion of long-term debt	508.5	442.0
Long-term debt	5,754.8	4,348.7
Total debt	7,075.5	6,999.5
Minority interests	242.3	242.3
Stockholders equity	5,174.7	6,215.8
Total capital	$ 12,492.5	$ 13,457.6

The decline in total capital from fiscal 2008 to fiscal 2009 was primarily due to actuarial losses on our defined benefit plans recorded in accumulated other comprehensive income (loss).

The following table details the fee-paid committed and uncommitted credit lines we had available as of May 31, 2009:

In Billions	Amount
Credit facility expiring:	
October 2010	$ 1.1
October 2012	1.8
Total committed credit facilities	2.9
Uncommitted credit facilities	0.4
Total committed and uncommitted credit facilities	$ 3.3

To ensure availability of funds, we maintain bank credit lines sufficient to cover our outstanding short-term borrowings. Commercial paper is a continuing source of short-term financing. We issue commercial paper in the United States, Canada, and Europe. Our commercial paper borrowings are supported by $2.9 billion of fee-paid committed credit lines, consisting of a $1.8 billion facility expiring in October 2012 and a $1.1 billion facility expiring in October 2010. We also have $0.4 billion in uncommitted credit lines that support our foreign operations. As of May 31, 2009, there were no amounts outstanding on the fee-paid committed credit lines and $135 million was drawn on the uncommitted lines. The credit facilities contain several covenants with which we were in compliance as of May 31, 2009, including a requirement to maintain a fixed charge coverage ratio of at least 2.5. Certain of our long-term debt agreements and our minority interests contain restrictive covenants. As of May 31, 2009, we were in compliance with all of these covenants.

We have $508 million of long-term debt maturing in the next 12 months that is classified as current. We believe that cash flows from operations, together with available short- and long-term debt financing, will be adequate to meet our liquidity and capital needs for at least the next 12 months.

As of May 31, 2009, our total debt, including the impact of derivative instruments designated as hedges, was 88 percent in fixed-rate and 12 percent in floating-rate instruments, compared to 66 percent in fixed-rate and 34 percent in floating-rate instruments on May 25, 2008. The change in the fixed-rate and floating-rate percentages was driven by the refinancing of $1.9 billion of commercial paper with fixed-rate notes during fiscal 2009.

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

Growth in return on average total capital is one of our key performance measures (see the Non-GAAP Measures section below for our discussion of this measure, which is not defined by GAAP). Return on average total capital increased from 11.8 percent in fiscal 2008 to 12.3 percent in fiscal 2009 primarily due to increased earnings and improvements in core working capital. We also believe important measures of financial strength are the ratio of fixed charge coverage and the ratio of operating cash flow to debt. Our fixed charge coverage ratio in fiscal 2009 was 5.31 compared to 4.87 in fiscal 2008. The measure increased from fiscal 2008 as earnings before income taxes and after-tax earnings from joint ventures increased by $127 million and fixed charges decreased by $31 million. Our operating cash flow to debt ratio increased 1.1 points to 25.8 percent in fiscal 2009, driven by a higher rate of increase in cash flows from operations than the rate of increase in our year-end debt balance.

Currently, Standard and Poor s (S&P) has ratings of BBB+ on our long-term debt and A-2 on our commercial paper. Moody s Investors Services (Moody s) has ratings of Baa1 for our long-term debt and P-2 for our commercial paper. Fitch Ratings (Fitch) rates our long-term debt BBB+ and our commercial paper F-2. These ratings are not a recommendation to buy, sell or hold securities, are subject to revision or withdrawal at any time by the rating organization, and should be evaluated independently of any other rating.

In April 2002, we contributed assets with an aggregate fair market value of $4.2 billion to our subsidiary GMC. The contributed assets consist primarily of manufacturing assets and intellectual property associated with the production and retail sale of Big G cereals, *Progresso* soups, and *Old El Paso* products in the United States. In exchange for the contribution of these assets, GMC issued its managing membership interest and its limited preferred membership interests to certain of our wholly owned subsidiaries. We continue to hold the entire managing membership interest, and therefore direct the operations of GMC. Other than the right to consent to certain actions, holders of the limited preferred membership interests do not participate in the management of GMC. We currently hold all interests in GMC other than the Class A Interests.

The holder of the Class A Interests receives quarterly preferred distributions from available net income based on the application of a floating preferred return rate, currently equal to the sum of three-month LIBOR plus 65 basis points, to the holder s capital account balance established in the most recent mark-to-market valuation (currently $248 million). The Fifth Amended and Restated Limited Liability Company Agreement of GMC requires that the preferred return rate of the Class A Interests be adjusted every five years through a negotiated agreement between the Class A Interest holder and GMC, or through a remarketing auction. The next remarketing is scheduled to occur in June 2012 and thereafter in five-year intervals. Upon a failed remarketing, the preferred return rate over three-month LIBOR will be increased by 75 basis points until the next remarketing, which will occur in 3 month intervals until a successful remarketing occurs or the managing member purchases the Class A Interests. The managing member may at any time elect to purchase all of the Class A Interests for an amount equal to the holder s capital account balance (as adjusted in a mark-to-market valuation), plus any accrued but unpaid preferred returns and the prescribed make-whole amount.

Holders 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 S&P, and a failed attempt to remarket the Class A Interests as a result of GMC s failure to assist in such remarketing. In the event of a liquidation of GMC, each member of GMC will receive the amount of its then current capital account balance. The managing member may avoid liquidation by exercising its option to purchase the Class A Interests.

For financial reporting purposes, the assets, liabilities, results of operations, and cash flows of GMC are included in our Consolidated Financial Statements. The return to the third party investor is reflected in net interest in the Consolidated Statements of Earnings. The third party investor s interests in GMC are classified as minority interests on our Consolidated Balance Sheets. As discussed in the Recently Issued Accounting Pronouncements section below, we expect our adoption of Statement of Financial Accounting Standards (SFAS) No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment to ARB No. 51 (SFAS 160), in fiscal 2010 to change the financial statement presentation of these interests in GMC.

As discussed above, 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 31, 2009, we have issued guarantees and comfort letters of $654 million for the debt and other obligations of consolidated subsidiaries, and guarantees and comfort letters of $282 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 $351 million as of May 31, 2009.

As of May 31, 2009, we had invested in three variable interest entities (VIEs). We have an interest in a contract manufacturer at our former facility in Geneva, Illinois. We are the primary beneficiary (PB) and have consolidated this entity. This entity had property and equipment with a carrying value of $25 million and long-term debt of $26 million as of May 31, 2009. The liabilities recognized as a result of consolidating this entity do not represent additional claims on our general assets. We also have an interest in a contract manufacturer in Greece that is a VIE. Although we are the PB, we have not consolidated this entity because it is not practical to do so and it is not material to our results of operations, financial condition, or liquidity as of and for the year ended May 31, 2009. This entity had assets of $5 million and liabilities of $1 million as of May 31, 2009. We are not the PB of the remaining VIE. Our maximum exposure to loss from the three VIEs is limited to the $26 million of long-term debt of the contract manufacturer in Geneva, Illinois and our $2 million equity investment in the VIE of which we are not the PB. We have not provided financial or other support to these VIEs during the current period nor are there arrangements related to these VIEs that could require us to provide financial support in the future.

Our defined benefit plans in the United States are subject to the requirements of Pension Protection Act (PPA). The PPA revised the basis and methodology for determining defined benefit plan minimum funding requirements as well as maximum contributions to and benefits paid from tax-qualified plans. Most of these provisions were applicable to our domestic defined benefit pension plans in fiscal 2009 on a phased-in basis. Although not required under the provisions of the PPA, we voluntarily contributed $200 million to our principal defined benefit plans in fiscal 2009. We do not expect to make any contributions to our domestic plans in fiscal 2010. Actual fiscal 2010 contributions could exceed our current projections, and may be influenced by our decision to undertake discretionary funding of our benefit trusts or by changes in regulatory requirements. Additionally, our projections concerning timing of the PPA funding requirements are subject to change and may be influenced by factors such as general market conditions affecting trust asset performance, interest rates, and our future decisions regarding certain elective provisions of the PPA.

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

		Payments Due by Fiscal Year			
In Millions	Total	2010	2011 - 12	2013 - 14	2015 and Thereafter
Long-term debt (a)	$ 6,275.3	$ 504.3	$ 1,356.9	$ 1,513.8	$ 2,900.3
Accrued interest	182.1	182.1			
Operating leases (b)	351.3	87.6	131.8	75.0	56.9
Capital leases	15.9	5.0	6.6	4.3	
Purchase obligations (c)	2,289.4	1,791.1	368.3	82.1	47.9
Total contractual obligations	9,114.0	2,570.1	1,863.6	1,675.2	3,005.1
Other long-term obligations (d)	1,280.6				
Total long-term obligations	$ 10,394.6	$ 2,570.1	$ 1,863.6	$ 1,675.2	$ 3,005.1

(a) Amounts represent the expected cash payments of our long-term debt and do not include $14 million for capital leases or $26 million for unamortized bond premiums or discounts.
(b) Operating leases represents the minimum rental commitments under non-cancelable operating leases.
(c) The majority of the purchase obligations represent commitments for raw material and packaging to be utilized in the normal course of business and for consumer marketing spending commitments that support our brands. For purposes of this table, arrangements are considered purchase obligations if a contract specifies all significant terms, including fixed or minimum quantities to be purchased, a pricing structure, and approximate timing of the transaction. Most arrangements are cancelable without a significant penalty and with short notice (usually 30 days). Any amounts reflected on the Consolidated Balance Sheets as accounts payable and accrued liabilities are excluded from the table above.
(d) The fair value of our interest rate and equity swaps with a payable position to the counterparty was $260 million as of May 31, 2009, based on fair market values as of that date. Future changes in market values will impact the amount of cash ultimately paid or received to settle those instruments in the future. Other long-term obligations mainly consist of liabilities for uncertain income tax positions, accrued compensation and benefits, including the underfunded status of certain of our defined benefit pension, other postretirement, and postemployment plans, and miscellaneous liabilities. We expect to pay $19 million of benefits from our unfunded postemployment benefit plans and $13 million of deferred compensation in fiscal 2010. We are unable to reliably estimate the amount of these payments beyond fiscal 2010. As of May 31, 2009, our total liability for uncertain tax positions and the associated accrued interest and penalties was $720 million as of the end of our fiscal year. We expect to pay approximately $157 million of tax liabilities and accrued interest in the next 12 months, including a portion of our potential liability for the matter resolved by the U.S. Court of Appeals discussed within this MD&A. While fiscal years 2007 and 2008 are currently under examination by the Internal Revenue Service (IRS), we are not able to reasonably estimate the timing of future cash flows beyond 12 months due to uncertainties in the timing of this and other tax audit outcomes.

SIGNIFICANT ACCOUNTING ESTIMATES

For a complete description of our significant accounting policies, see Note 2 to the Consolidated Financial Statements in Item 8 of this report. Our significant accounting estimates are those that have a meaningful impact on the reporting of our financial condition and results of operations. These estimates include our accounting for promotional expenditures, valuation of long-lived assets, intangible assets, stock-based compensation, income taxes, and defined benefit pension, other postretirement and postemployment benefits.

Promotional Expenditures

Our promotional activities are conducted through our customers and directly or indirectly with end consumers. These activities include: payments to customers to perform merchandising activities on our behalf, such as advertising or in-store displays; discounts to our list prices to lower retail shelf prices; payments to gain distribution of new products; coupons, contests, and other incentives; and media and advertising expenditures. The media and advertising expenditures are recognized as expense when the advertisement airs. The cost of payments to customers and other consumer activities are recognized as the related revenue is recorded, which generally precedes the actual cash expenditure. The recognition of these costs requires estimation of customer participation and performance levels. These estimates are made based on the forecasted customer sales, the timing and forecasted costs of promotional activities, and other factors. Differences between estimated expenses and actual costs are normally insignificant and are recognized as a change in management estimate in a subsequent period. Our accrued trade, coupon, and consumer marketing liabilities were $474 million as of May 31, 2009, and $446 million as of May 25, 2008. Because our total promotional expenditures (including amounts classified as a reduction of revenues) are significant, if our estimates are inaccurate we would have to make adjustments in subsequent periods that could have a material effect on our results of operations.

Valuation of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (or asset group) may not be recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows from the operation and disposition of the asset group are less than the carrying amount of the asset group. Asset groups have identifiable cash flows independent of other asset groups. Measurement of an impairment loss would be based on the excess of the carrying amount of the asset group over its fair value. Fair value is measured using discounted cash flows or independent appraisals, as appropriate.

Intangible Assets

Goodwill is not subject to amortization and is tested for impairment annually and whenever events or changes in circumstances indicate that impairment may have occurred. Impairment testing is performed for each of our reporting units. We compare the carrying value of a reporting unit, including goodwill, to the fair value of the unit. Carrying value is based on the assets and liabilities associated with the operations of that reporting unit, which often requires allocation of shared or corporate items among reporting units. If the carrying amount of a reporting unit exceeds its fair value, we revalue all assets and liabilities of the reporting unit, excluding goodwill, to determine if the fair value of the net assets is greater than the net assets including goodwill. If the fair value of the net assets is less than the net assets including goodwill, impairment has occurred. Our estimates of fair value are determined based on a discounted cash flow model. Growth rates for sales and profits are determined using inputs from our annual long-range planning process. We also make estimates of discount rates, perpetuity growth assumptions, market comparables, and other factors.

We evaluate the useful lives of our other intangible assets, mainly intangible assets associated with the *Pillsbury, Totino s, Progresso, Green Giant*, *Old El Paso,* 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, mainly brands, are also tested for impairment annually and whenever events or changes in circumstances indicate that their carrying value may not be recoverable. We performed our fiscal 2009 assessment of our brand intangibles as of December 1, 2008. Our estimate of the fair value of the brands was based on a discounted cash flow model using inputs which included: projected revenues from our annual long-range plan; assumed royalty rates that could be payable if we did not own the brands; and a discount rate. As of our assessment date, there was no impairment of these intangibles, and the fair value of the *Pillsbury* brand was more than 10 percent greater than its carrying value, up from an excess of 3 percent as of the fiscal 2008 assessment.

As of May 31, 2009, we had $10.4 billion of goodwill and indefinite-lived intangible assets. While we currently believe that the fair value of each intangible exceeds its carrying value and that those intangibles so classified will contribute indefinitely to our cash flows, materially different assumptions regarding future performance of our businesses or a different weighted-average cost of capital could result in significant impairment losses and amortization expense.

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Stock-based Compensation

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

We estimate our future stock price volatility using the historical volatility over the expected term of the option, excluding time periods of volatility we believe a marketplace participant would exclude in estimating our stock price volatility. For the fiscal 2009 grants, we have excluded historical volatility for fiscal 2002 and prior, primarily because volatility driven by our acquisition of The Pillsbury Company (Pillsbury) in fiscal 2002 does not reflect what we believe to be expected future volatility. We also have considered, but did not use, implied volatility in our estimate, because trading activity in options on our stock, especially those with tenors of greater than 6 months, is insufficient to provide a reliable measure of expected volatility. If all other assumptions are held constant, a one percentage point increase in our fiscal 2009 volatility assumption would increase the grant-date fair value of our fiscal 2009 option awards by 5 percent.

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

Our valuation model assumes that dividends and our share price increase in line with earnings, resulting in a constant dividend yield. The risk-free interest rate for periods during the expected term of the options is based on the U.S. Treasury zero-coupon yield curve in effect at the time of grant.

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

	Fiscal Year		
	2009	**2008**	**2007**
Estimated fair values of stock options granted	$ 9.41	$ 10.55	$ 10.74
Assumptions:			
Risk-free interest rate	4.4%	5.1%	5.3%
Expected term	8.5 years	8.5 years	8.0 years
Expected volatility	16.1%	15.6%	19.7%
Dividend yield	2.7%	2.7%	2.8%

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

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

Realized windfall tax benefits are credited to additional paid-in capital within the Consolidated Balance Sheet. Realized shortfall tax benefits (amounts which are less than that previously recognized in earnings) are first offset

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

Income Taxes

We apply a more-likely-than-not threshold to the recognition and derecognition of uncertain tax positions. Accordingly we recognize the amount of tax benefit that has a greater than 50 percent likelihood of being ultimately realized upon settlement. Future changes in judgment related to the expected ultimate resolution of uncertain tax positions will affect earnings in the quarter of such change. Prior to fiscal 2008, our policy was to establish liabilities that reflected the probable outcome of known tax contingencies. The effects of final resolution, if any, were recognized as changes to the effective income tax rate in the period of resolution.

Annually we file more than 350 income tax returns in approximately 100 global taxing jurisdictions. A number of years may elapse before an uncertain tax position is audited and finally resolved. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, we believe that our liabilities for income taxes reflect the most likely outcome. We adjust these liabilities, as well as the related interest, in light of changing facts and circumstances. Settlement of any particular position would usually require the use of cash.

The number of years with open tax audits varies depending on the tax jurisdiction. Our major taxing jurisdictions include the United States (federal and state) and Canada. We are no longer subject to United States federal examinations by the IRS for fiscal years before 2002.

The IRS has concluded its field examination of our 2006 and prior federal tax years, which resulted in payments of $18 million in fiscal 2009 and $56 million in fiscal 2008 to cover the additional U.S. income tax liability plus interest related to adjustments during these audit cycles. The IRS also proposed additional adjustments for the fiscal 2002 to 2006 audit cycles related to the amount of capital loss and depreciation and amortization we reported as a result of our sale of minority interests in our GMC subsidiary. The IRS has proposed adjustments that effectively eliminate most of the tax benefits associated with this transaction. We believe we have meritorious defenses and are vigorously defending our positions. We have appealed the results of the IRS field examinations to the IRS Appeals Division. Our potential liability for this matter is significant. We have determined that a portion of this matter should be included as a tax liability and is accordingly included in our total liabilities for uncertain tax positions as disclosed in Note 14 to our Consolidated Financial Statements included in Item 8 of this report. The IRS initiated its audit of our fiscal 2007 and 2008 tax years during fiscal 2009.

In the third quarter of fiscal 2008, we recorded an income tax benefit of $31 million as a result of a favorable U.S. district court decision on an uncertain tax matter. In the third quarter of 2009, the U.S. Court of Appeals for the Eighth Circuit issued an opinion reversing the district court decision. As a result, we recorded $53 million (including interest) of income tax expense related to the reversal of cumulative income tax benefits from this uncertain tax matter recognized in fiscal years 1992 through 2008. We are currently evaluating our options for appeal. If the appellate court decision is not overturned, we would expect to make cash tax and interest payments of approximately $32 million in connection with this matter.

As of May 31, 2009, our total liability for uncertain tax positions and the associated accrued interest and penalties was $720 million as of the end of our fiscal year. We expect to pay approximately $157 million of tax liabilities and accrued interest in the next 12 months, including a portion of our potential liability for the matter resolved by the U.S. Court of Appeals discussed in the preceding paragraph. While fiscal years 2007 and 2008 are currently under examination by the IRS, we are not able to reasonably estimate the timing of future cash flows beyond 12 months due to uncertainties in the timing of this and other tax audit outcomes.

Various tax examinations by United States state taxing authorities could be conducted for any open tax year, which vary by jurisdiction, but are generally from 3 to 5 years. Currently, several state examinations are in progress. The Canada Revenue Agency is conducting an audit of our income tax returns in Canada for fiscal years 2003 (which is

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our earliest tax year still open for examination) through 2005. We do not anticipate that any United States state tax or Canadian tax adjustments will have a significant impact on our financial position or results of operations.

Defined Benefit Plans

Defined Benefit Pension Plans

We have defined benefit pension plans covering most domestic, Canadian, and United Kingdom employees. Benefits for salaried employees are based on length of service and final average compensation. Benefits for hourly employees include various monthly amounts for each year of credited service. Our funding policy is consistent with the requirements of applicable laws. We made $200 million of voluntary contributions to our principal domestic plans in fiscal 2009, and are not required to make similar contributions in fiscal 2010. Our principal domestic retirement plan covering salaried employees has a provision that any excess pension assets would vest if the plan is terminated within five years of a change in control.

Other Postretirement Benefit Plans

We also sponsor plans that provide health care benefits to the majority of our domestic and Canadian retirees. The salaried health care benefit plan is contributory, with retiree contributions based on years of service. We fund related trusts for certain employees and retirees on an annual basis. We did not make voluntary contributions to these plans in fiscal 2009.

Postemployment Benefit Plans

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

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

Expected Rate of Return on Plan Assets

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

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

Our historical investment returns (compound annual growth rates) for our United States defined benefit pension and other postretirement plan assets were a 25 percent loss in the 1 year period ended May 31, 2009 and returns of 5 percent, 6 percent, 9 percent, and 9 percent for the 5, 10, 15, and 20 year periods ended May 31, 2009.

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Our principal defined benefit pension and other postretirement plans in the United States have an expected return on plan assets of 9.6 percent. During fiscal 2007, we lowered the expected rate of return on one of our other postretirement plans in the United States based on costs associated with insurance contracts owned by that plan. On a weighted-average basis, the expected rate of return for all defined benefit plans was 9.55 percent for fiscal 2009, 9.56 percent for fiscal 2008, and 9.57 percent for fiscal 2007.

Lowering the expected long-term rate of return on assets by 50 basis points would increase our net pension and postretirement expense by $22 million for fiscal 2010. A market-related valuation basis is used to reduce year-to-year expense volatility. The market-related valuation recognizes certain investment gains or losses over a five-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return based on the market-related value of assets. Our outside actuaries perform these calculations as part of our determination of annual expense or income.

Discount Rates

Our discount rate assumptions are determined annually as of the last day of our fiscal year for all of our defined benefit pension, other postretirement, and postemployment benefit plan obligations. Those same discount rates also are used to determine defined benefit pension, other postretirement, and postemployment benefit plan income and expense for the following fiscal year. We work with our actuaries to determine the timing and amount of expected future cash outflows to plan participants and, using the top quartile of AA-rated corporate bond yields, to develop a forward interest rate curve, including a margin to that index based on our credit risk. This forward interest rate curve is applied to our expected future cash outflows to determine our discount rate assumptions.

Our weighted-average discount rates were as follows:

Weighted-Average Discount Rates

	Defined Benefit Pension Plans	Other Postretirement Benefit Plans	Postemployment Benefit Plans
Obligation as of May 31, 2009, and fiscal 2010 expense	7.49%	7.45%	7.06%
Obligation as of May 25, 2008, and fiscal 2009 expense	6.88%	6.90%	6.64%
Fiscal 2008 expense	6.18%	6.15%	6.05%

Lowering the discount rates by 50 basis points would increase our net defined benefit pension, other postretirement, and postemployment benefit plan expense for fiscal 2010 by approximately $25 million. All obligation-related experience gains and losses are amortized using a straight-line method over the average remaining service period of active plan participants.

Health Care Cost Trend Rates

We review our health care trend rates annually. Our review is based on data we collect about our health care claims experience and information provided by our actuaries. This information includes recent plan experience, plan design, overall industry experience and projections, and assumptions used by other similar organizations. Our initial health care cost trend rate is adjusted as necessary to remain consistent with this review, recent experiences, and short-term expectations. Our initial health care cost trend rate assumption is 9.5 percent for retirees age 65 and over and 9.0 percent for retirees under age 65. These rates are graded down annually until the ultimate trend rate of 5.2 percent is reached in 2018 for all retirees. The trend rates are applicable for calculations only if the retirees benefits increase as a result of health care inflation. The ultimate trend rate is adjusted annually, as necessary, to approximate the current economic view on the rate of long-term inflation plus an appropriate health care cost premium. Assumed trend rates for health care costs have an important effect on the amounts reported for the other postretirement benefit plans.

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

In Millions	One Percentage Point Increase	One Percentage Point Decrease
Effect on the aggregate of the service and interest cost components in fiscal 2010	$ 7.2	$ (6.3)
Effect on the other postretirement accumulated benefit obligation as of May 31, 2009	75.8	(66.9)

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

Financial Statement Impact

In fiscal 2009, we recorded net defined benefit pension, other postretirement, and postemployment benefit plan income of $4 million compared to $19 million of expense in fiscal 2008 and $36 million of expense in fiscal 2007. As of May 31, 2009, we had cumulative unrecognized actuarial net losses of $1.0 billion on our defined benefit pension plans and $130 million on our postretirement benefit plans, mainly as the result of declines in the values of plan assets. These unrecognized actuarial net losses will result in decreases in our future pension income and increases in postretirement expense since they currently exceed the corridors defined by GAAP.

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

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In November 2008, the Financial Accounting Standards Board (FASB) issued Emerging Issues Task Force (EITF) No. 08-6, Equity Method Accounting Considerations (EITF 08-6). EITF 08-6 addresses the impact of the issuance of SFAS 141R and SFAS 160 on accounting for equity method investments. EITF 08-6 is effective for fiscal years beginning on or after December 15, 2008, which for us is the first quarter of fiscal 2010. We do not expect EITF 08-6 to have a material impact on our results of operations or financial condition.

In June 2008, the FASB approved the issuance of EITF No. 07-5, Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity s Own Stock (EITF 07-5). EITF 07-5 defines when adjustment features within contracts are considered to be equity-indexed and will be effective for us in the first quarter of fiscal 2010. We do not expect EITF 07-5 to have any impact on our results of operations or financial condition.

In June 2008, the FASB issued FASB Staff Position (FSP) EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities (FSP EITF 03-6-1). FSP EITF 03-6-1 provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of EPS pursuant to the two-class method. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008, which for us is the first quarter of fiscal 2010. Upon adoption, we are required to retrospectively adjust our EPS data (including any amounts related to interim periods, summaries of earnings, and selected financial data) to conform with the provisions of FSP EITF 03-6-1. We expect the adoption of FSP EITF 03-6-1 to have an immaterial impact on our basic and diluted EPS.

In May 2008, the FASB issued FSP Financial Accounting Standard (FAS) Accounting Principles Board (APB) 14-1, Accounting for Convertible Debt Instruments that may be Settled in Cash upon Conversion (Including Partial

Cash Settlement) (FSP APB 14-1). FSP APB 14-1 requires issuers to account separately for the liability and equity components of convertible debt instruments that may be settled in cash or other assets. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008, which for us is the first quarter of fiscal 2010. Upon adoption, we are required to apply this accounting retrospectively. We expect the adoption of FSP APB 14-1 to have no impact on our financial statements for fiscal 2009 and 2008, and an immaterial impact on our financial statements for fiscal 2007.

In April 2008, the FASB finalized FSP No. 142-3, Determination of the Useful Life of Intangible Assets (FSP 142-3). This position amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets . FSP 142-3 applies to intangible assets that are acquired individually or with a group of other assets and both intangible assets acquired in business combinations and asset acquisitions. This position is effective for fiscal years beginning after December 15, 2008, which for us is the first quarter of fiscal 2010. We do not expect FSP 142-3 to have any impact on our results of operations or financial condition.

In February 2008, the FASB amended SFAS 157 by FSP FAS 157-2, Effective Date of FASB Statement No. 157 (FSP FAS 157-2). FSP FAS 157-2 defers the effective date of SFAS 157 for all nonfinancial assets and liabilities that are not remeasured at fair value on a recurring basis to fiscal years beginning after February 15, 2008. As disclosed in Note 6 to the Consolidated Financial Statements in Item 8 of this report, we adopted the required provisions of SFAS 157 effective in the first quarter of fiscal 2009. We expect to adopt the remaining provisions of SFAS 157 beginning in the first quarter of fiscal 2010. Although we believe the adoption may impact the way that we determine the fair value of goodwill, indefinite-lived intangible assets, and other long-lived assets, we do not expect it to have a material impact on our results of operations or financial condition.

In December 2007, the FASB approved the issuance of SFAS No. 141 (revised 2007), Business Combinations (SFAS 141R). SFAS 141R establishes principles and requirements for how the acquirer in a business combination: recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R applies to business combinations for which the acquisition date is on or after December 15, 2008. SFAS 141R also changes the accounting for acquisition-related tax contingencies, requiring all such changes in these contingency liabilities to be recorded in earnings after the effective date. As discussed in Note 14 to the Consolidated Financial Statements in Item 8 of this report, we have significant liabilities for uncertain tax positions. Adjustments to the portion of these liabilities related to our acquisition of Pillsbury after the adoption of SFAS 141R could be material to net earnings.

In December 2007, the FASB approved the issuance of SFAS 160. SFAS 160 establishes accounting and reporting standards that require: the ownership interest in subsidiaries held by parties other than the parent be clearly identified and presented in the Consolidated Balance Sheets within equity, but separate from the parent s equity; the amount of consolidated net income attributable to the parent and the non-controlling interest be clearly identified and presented on the face of the Consolidated Statement of Earnings; and changes in a parent s ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently. SFAS 160 is effective for us in the first quarter of fiscal 2010. At that time we expect to reclassify the minority interests in our GMC subsidiary to stockholders equity in our Consolidated Balance Sheets. We also expect to reclassify retrospectively our distributions on those minority interests from interest expense to distributions to noncontrolling interests in our Consolidated Statements of Earnings. We have several other immaterial noncontrolling interests that will be reclassified in a similar manner.

NON-GAAP MEASURES

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

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Total Segment Operating Profit

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

Return on Average Total Capital

This ratio is not defined by GAAP, and is used in internal management reporting and as a component of the Board of Directors rating of our performance for incentive compensation purposes. Management and the Board of Directors believe that this measure provides useful information to investors because it is important for assessing the utilization of capital and it eliminates the effects of infrequently occurring events, thereby improving year-to-year comparability.

	Fiscal Year					
In Millions	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
Net earnings	$ 1,304.4	$ 1,294.7	$ 1,143.9	$ 1,090.3	$ 1,240.0	
Interest, net, after-tax	244.7	276.4	280.1	261.7	288.3	
Earnings before interest, after-tax	1,549.1	1,571.1	1,424.0	1,352.0	1,528.3	
Mark-to-market effects	74.9	(35.9)				
Divestitures gain, net	(38.0)				(284.0)	
Gain from insurance settlement	(26.9)					
Uncertain tax item	52.6	(30.7)				
Debt repurchase cost					86.9	
Earnings before interest, after-tax for return on capital calculation	$ 1,611.7	$ 1,504.5	$ 1,424.0	$ 1,352.0	$ 1,331.2	
Current portion of long-term debt	$ 508.5	$ 442.0	$ 1,734.0	$ 2,131.5	$ 1,638.7	$ 233.5
Notes payable	812.2	2,208.8	1,254.4	1,503.2	299.2	582.6
Long-term debt	5,754.8	4,348.7	3,217.7	2,414.7	4,255.2	7,409.9
Total debt	7,075.5	6,999.5	6,206.1	6,049.4	6,193.1	8,226.0
Minority interests	242.3	242.3	1,138.8	1,136.2	1,133.2	299.0
Stockholders equity	5,174.7	6,215.8	5,319.1	5,772.3	5,676.4	5,247.6
Total capital	12,492.5	13,457.6	12,664.0	12,957.9	13,002.7	13,772.6
Accumulated other comprehensive (income) loss	875.4	(176.7)	119.7	(125.4)	(8.1)	144.2
After-tax earnings adjustments (a)	(201.1)	(263.7)	(197.1)	(197.1)	(197.1)	
Adjusted total capital	$ 13,166.8	$ 13,017.2	$ 12,586.6	$ 12,635.4	$ 12,797.5	$ 13,916.8
Adjusted average total capital	$ 13,092.0	$ 12,801.9	$ 12,611.0	$ 12,716.5	$ 13,357.2	
Return on average total capital	12.3%	11.8%	11.3%	10.6%	10.0%	

(a) Sum of current year and

previous years
after-tax
adjustments.

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

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

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

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

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

You should also consider the risk factors that we identify in Item 1A of this report, which could also affect our future results.

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

ITEM 7A Quantitative and Qualitative Disclosures About Market Risk

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

INTEREST RATE RISK

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

As of May 31, 2009, we had $4.1 billion of aggregate notional principal amount outstanding, with a net notional amount of $446 million that converts floating-rate notes to fixed rates. This includes notional amounts of offsetting swaps that neutralize our exposure to interest rates on other interest rate swaps.

FOREIGN EXCHANGE RISK

Foreign currency fluctuations affect our net investments in foreign subsidiaries and foreign currency cash flows related to foreign-denominated commercial paper, third party purchases, intercompany loans, and product shipments. We are also exposed to the translation of foreign currency earnings to the U.S. dollar. Our principal exposures are to the Australian dollar, British pound sterling, Canadian dollar, Chinese renminbi, euro, Japanese yen, and Mexican peso. We mainly use foreign currency forward contracts to selectively hedge our foreign currency cash flow exposures. We also generally swap our foreign-dominated commercial paper borrowings back to U.S. dollars; the gains or losses on these derivatives offset the foreign currency revaluation gains or losses recorded in earnings on the associated borrowings. We generally do not hedge more than 12 months forward.

We also have many net investments in foreign subsidiaries that are denominated in euros. We previously hedged a portion of these net investments by issuing euro-denominated commercial paper and foreign exchange forward contracts. As of May 31, 2009, we had deferred net foreign currency transaction losses of $96 million in accumulated other comprehensive income (loss) associated with this hedging activity.

COMMODITY PRICE RISK

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

As of May 31, 2009, the net notional value of commodity derivatives was $191 million, of which $68 million relates to agricultural positions and $123 million relates to energy positions. These derivatives relate to inputs that generally will be utilized within the next 12 months.

EQUITY INSTRUMENTS

Equity price movements affect our compensation expense as certain investments owned by our employees related to our deferred compensation plan are revalued. We use equity swaps to manage this market risk.

VALUE AT RISK

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

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

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equity instruments. The calculations do not include the underlying foreign exchange and commodities-related positions that are offset by these market-risk-sensitive instruments.

The table below presents the estimated maximum potential VAR arising from a one-day loss in fair value for our interest rate, foreign currency, commodity, and equity market-risk-sensitive instruments outstanding as of May 31, 2009, and May 25, 2008, and the average fair value impact during the year ended May 31, 2009.

	Fair Value Impact		
In Millions	**May 31, 2009**	**Average during fiscal 2009**	**May 25, 2008**
Interest rate instruments	$ 44.4	$ 36.0	$ 18.9
Foreign currency instruments	5.8	5.1	5.0
Commodity instruments	10.4	8.2	6.3
Equity instruments	1.8	1.3	1.2

ITEM 8 Financial Statements and Supplementary Data

REPORT OF MANAGEMENT RESPONSIBILITIES

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

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

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

The Audit Committee reviewed and approved the Company s annual financial statements. The Audit Committee recommended, and the Board of Directors approved, that the consolidated financial statements be included in the Annual Report. The Audit Committee also appointed KPMG LLP to serve as the Company s independent registered public accounting firm for fiscal 2010, subject to ratification by the stockholders at the annual meeting.

/s/ K. J. Powell	/s/ D. L. Mulligan
K. J. Powell Chairman of the Board and Chief Executive Officer	D. L. Mulligan Executive Vice President and Chief Financial Officer

July 13, 2009

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of General Mills, Inc. and subsidiaries as of May 31, 2009 and May 25, 2008, and the related consolidated statements of earnings, stockholders equity and comprehensive income, and cash flows for each of the years in the three-year period ended May 31, 2009. In connection with our audits of the consolidated financial statements, we also have audited the accompanying financial statement schedule. We also have audited General Mills, Inc. s internal control over financial reporting as of May 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). General Mills, Inc. s management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule and an opinion on the Company s internal control over financial reporting based on our audits.

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

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of General Mills, Inc. and subsidiaries as of May 31, 2009 and May 25, 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended May 31, 2009, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the accompanying financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also in our opinion, General Mills, Inc. maintained, in all material respects, effective internal control over financial reporting as of May 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In fiscal 2008, as disclosed in Note 14 to the consolidated financial statements, the Company adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109 on May 28, 2007.

/s/ KPMG LLP
Minneapolis, Minnesota
July 13, 2009

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Consolidated Statements of Earnings
GENERAL MILLS, INC. AND SUBSIDIARIES
(In Millions, Except per Share Data)

	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007
Net sales	$ 14,691.3	$ 13,652.1	$ 12,441.5
Cost of sales	9,457.8	8,778.3	7,955.1
Selling, general, and administrative expenses	2,953.9	2,625.0	2,389.3
Divestitures (gain), net	(84.9)		
Restructuring, impairment, and other exit costs	41.6	21.0	39.3
Operating profit	2,322.9	2,227.8	2,057.8
Interest, net	390.0	421.7	426.5
Earnings before income taxes and after-tax earnings from joint ventures	1,932.9	1,806.1	1,631.3
Income taxes	720.4	622.2	560.1
After-tax earnings from joint ventures	91.9	110.8	72.7
Net earnings	$ 1,304.4	$ 1,294.7	$ 1,143.9
Earnings per share - basic	$ 3.93	$ 3.86	$ 3.30
Earnings per share - diluted	$ 3.80	$ 3.71	$ 3.18
Dividends per share	$ 1.72	$ 1.57	$ 1.44

See accompanying notes to consolidated financial statements.

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Consolidated Balance Sheets
GENERAL MILLS, INC. AND SUBSIDIARIES
(In Millions, Except Par Value)

	May 31, 2009	May 25, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 749.8	$ 661.0
Receivables	953.4	1,081.6
Inventories	1,346.8	1,366.8
Deferred income taxes	15.6	
Prepaid expenses and other current assets	469.3	510.6
Total current assets	3,534.9	3,620.0
Land, buildings, and equipment	3,034.9	3,108.1
Goodwill	6,663.0	6,786.1
Other intangible assets	3,747.0	3,777.2
Other assets	895.0	1,750.2
Total assets	$ 17,874.8	$ 19,041.6
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 803.4	$ 937.3
Current portion of long-term debt	508.5	442.0
Notes payable	812.2	2,208.8
Deferred income taxes		28.4
Other current liabilities	1,481.9	1,239.8
Total current liabilities	3,606.0	4,856.3
Long-term debt	5,754.8	4,348.7
Deferred income taxes	1,165.3	1,454.6
Other liabilities	1,931.7	1,923.9
Total liabilities	12,457.8	12,583.5
Minority interests	242.3	242.3
Stockholders equity:		

Common stock, 377.3 shares issued, $0.10 par value	37.7	37.7
Additional paid-in capital	1,249.9	1,149.1
Retained earnings	7,235.6	6,510.7
Common stock in treasury, at cost, shares of 49.3 and 39.8	(2,473.1)	(1,658.4)
Accumulated other comprehensive income (loss)	(875.4)	176.7
Total stockholders equity	5,174.7	6,215.8
Total liabilities and equity	$ 17,874.8	$ 19,041.6

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Stockholders Equity and Comprehensive Income
GENERAL MILLS, INC. AND SUBSIDIARIES
(In Millions, Except per Share Data)

	$.10 Par Value Common Stock (One Billion Shares Authorized)								
	Issued			Treasury				Accumulated Other Comprehensive Income	
	Shares	Par Amount	Additional Paid-In Capital	Shares	Amount	Retained Earnings	Unearned Compensation	(Loss)	Total
Balance as of May 28, 2006	502.3	$ 50.2	$ 5,736.6	(145.9)	$ (5,163.0)	$ 5,106.6	$ (83.5)	$ 125.4	$ 5,772.3
Comprehensive income:									
Net earnings						1,143.9			1,143.9
Other comprehensive income								195.3	195.3
Total comprehensive income									1,339.2
Change in accounting principle for stock compensation			(83.5)				83.5		
Change in accounting principle for defined benefit pension, other postretirement, and postemployment benefit plans								(440.4)	(440.4)
Cash dividends declared ($1.44 per share)						(505.2)			(505.2)
Stock compensation plans (includes income tax benefits of $73.1)			164.6	9.2	339.4				504.0
Shares purchased				(25.3)	(1,385.1)				(1,385.1)
Unearned compensation related to restricted stock awards			(95.0)						(95.0)

Issuance of shares to settle conversion of zero coupon debentures, net of tax			(10.7)	0.3	10.7			
Earned compensation and other			129.3					129.3
Balance as of May 27, 2007	502.3	50.2	5,841.3	(161.7)	(6,198.0)	5,745.3	(119.7)	5,319.1
Comprehensive income:								
Net earnings						1,294.7		1,294.7
Other comprehensive income							296.4	296.4
Total comprehensive income								1,591.1
Cash dividends declared ($1.57 per share)						(529.7)		(529.7)
Stock compensation plans (includes income tax benefits of $55.7)			121.0	6.5	261.6			382.6
Shares purchased				(23.9)	(1,384.6)			(1,384.6)
Retirement of treasury shares	(125.0)	(12.5)	(5,068.3)	125.0	5,080.8			
Shares issued under forward purchase contract			168.2	14.3	581.8			750.0
Unearned compensation related to restricted stock awards			(104.1)					(104.1)
Adoption of FIN 48			57.8			8.4		66.2
Capital appreciation paid to holders of Series B-1 limited membership interests in General Mills Cereals, LLC (GMC)						(8.0)		(8.0)
Earned compensation			133.2					133.2

Balance as of May 25, 2008	377.3	37.7	1,149.1	(39.8)	(1,658.4)	6,510.7		176.7	6,215.8
Comprehensive income:									
Net earnings						1,304.4			1,304.4
Other comprehensive loss								(1,052.1)	(1,052.1)
Total comprehensive income									252.3
Cash dividends declared ($1.72 per share)						(579.5)			(579.5)
Stock compensation plans (includes income tax benefits of $94.0)			23.0	9.8	443.1				466.1
Shares purchased				(20.2)	(1,296.4)				(1,296.4)
Shares issued for acquisition			16.4	0.9	38.6				55.0
Unearned compensation related to restricted stock awards			(56.2)						(56.2)
Earned compensation			117.6						117.6
Balance as of May 31, 2009	377.3	$ 37.7	$ 1,249.9	(49.3)	$ (2,473.1)	$ 7,235.6	$	$ (875.4)	$ 5,174.7

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows
GENERAL MILLS, INC. AND SUBSIDIARIES
(In Millions)

	Fiscal Year		
	2009	**2008**	**2007**
Cash Flows - Operating Activities			
Net earnings	$ 1,304.4	$ 1,294.7	$ 1,143.9
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	453.6	459.2	417.8
After-tax earnings from joint ventures	(91.9)	(110.8)	(72.7)
Stock-based compensation	117.7	133.2	127.1
Deferred income taxes	215.8	98.1	26.0
Tax benefit on exercised options	(89.1)	(55.7)	(73.1)
Distributions of earnings from joint ventures	68.5	108.7	45.2
Pension and other postretirement benefit plan contributions	(220.3)	(14.2)	(60.6)
Pension and other postretirement benefit plan (income) expense	(27.5)	5.5	5.6
Divestitures (gain), net	(84.9)		
Gain on insurance settlement	(41.3)		
Restructuring, impairment, and other exit costs (income)	31.3	(1.7)	39.1
Changes in current assets and liabilities	176.9	(126.7)	149.1
Other, net	15.0	(60.4)	3.8
Net cash provided by operating activities	1,828.2	1,729.9	1,751.2
Cash Flows - Investing Activities			
Purchases of land, buildings, and equipment	(562.6)	(522.0)	(460.2)
Acquisitions			