GENERAL MILLS INC
Form 10-K
July 06, 2015
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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, 2015

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

Commission file number: 001-01185

GENERAL MILLS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	41-0274440 (I.R.S. Employer Identification No.)
Number One General Mills Boulevard Minneapolis, Minnesota (Address of principal executive offices)	55426 (Zip Code)

(763) 764-7600

(Registrant s telephone number, including area code)

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

Title of each class	**Name of each exchange**

	on which registered
Common Stock, $.10 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

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

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

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

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

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PART I

ITEM 1 Business

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

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

COMPANY OVERVIEW

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

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

- ready-to-eat cereal;
- convenient meals, including meal kits, ethnic meals, pizza, soup, side dish mixes, frozen breakfast, and frozen entrees;
- snacks, including grain, fruit and savory snacks, nutrition bars, and frozen hot snacks;
- yogurt; and
- super-premium ice cream.

Other significant product categories include:

- baking mixes and ingredients;
- refrigerated and frozen dough; and
- frozen and shelf-stable vegetables.

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

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

Statements in Item 8 of this report.

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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. For further information on our customer credit and product return practices, please refer to Note 2 to the Consolidated Financial Statements in Item 8 of this report.

During fiscal 2015, Wal-Mart Stores, Inc. and its affiliates (Wal-Mart) accounted for 21 percent of our consolidated net sales and 30 percent of our net sales in the U.S. Retail segment. No other customer accounted for 10 percent or more of our consolidated net sales. Wal-Mart also represented 7 percent of our net sales in the International segment and 9 percent of our net sales in the Convenience Stores and Foodservice segment. As of May 31, 2015, Wal-Mart accounted for 29 percent of our U.S. Retail receivables, 6 percent of our International receivables, and 9 percent of our Convenience Stores and Foodservice receivables. The five largest customers in our U.S. Retail segment accounted for 54 percent of its fiscal 2015 net sales, the five largest customers in our International segment accounted for 24 percent of its fiscal 2015 net sales, and the five largest customers in our Convenience Stores and Foodservice segment accounted for 44 percent of its fiscal 2015 net sales.

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

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

RESEARCH AND DEVELOPMENT

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

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TRADEMARKS AND PATENTS

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

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

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

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

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

SEASONALITY

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

BACKLOG

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

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WORKING CAPITAL

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

EMPLOYEES

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

FOOD QUALITY AND SAFETY REGULATION

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

ENVIRONMENTAL MATTERS

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

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

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

EXECUTIVE OFFICERS

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

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

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

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

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

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

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

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

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

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

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

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

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WEBSITE ACCESS

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

ITEM 1A Risk Factors

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

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

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

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

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

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

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

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

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

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

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

Disruption of our supply chain could adversely affect our business.

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

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

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

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

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

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

Our success depends in part on our ability to anticipate the tastes and eating habits of consumers and to offer products that appeal to their preferences. Consumer preferences and category-level consumption may change from time to time and can be affected by a number of different trends and other factors. If we fail to anticipate, identify or react to these changes and trends, or to introduce new and improved products on a timely basis, we may experience reduced demand for our products, which would in turn cause our revenues and profitability to suffer. Similarly, demand for our products could be affected by consumer concerns regarding the health effects of ingredients such as sodium, trans fats, genetically modified organisms, sugar, processed wheat, or other product ingredients or attributes.

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

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

Economic downturns could limit consumer demand for our products.

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

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

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

Our international operations are subject to political and economic risks.

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

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

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Our financial performance on a U.S. dollar denominated basis is subject to fluctuations in currency exchange rates. These fluctuations could cause material variations in our results of operations. Our principal exposures are to the Australian dollar, Brazilian real, British pound sterling, Canadian dollar, Chinese renminbi, euro, Japanese yen, Mexican peso, and Swiss franc. From time to time, we enter into agreements that are intended to reduce the effects of our exposure to currency fluctuations, but these agreements may not be effective in significantly reducing our exposure.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of May 31, 2015, we had $13.1 billion of goodwill and indefinite-lived intangible assets. Goodwill for each of our reporting units is tested for impairment annually and whenever events or changes in circumstances indicate that impairment may have occurred. We compare the carrying value of the net assets of a reporting unit, including goodwill, to the fair value of the unit. If the fair value of the net assets of the reporting unit is less than the net assets including goodwill, impairment has occurred. Our estimates of fair value are determined based on a discounted cash flow model. Growth rates for sales and profits are determined using inputs from our long-range planning process. We also make estimates of discount rates, perpetuity growth assumptions, market comparables, and other factors.

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

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

Our indefinite-lived intangible assets are also tested for impairment annually and whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Our estimate of the fair value of the brands is based on a discounted cash flow model using inputs including projected revenues from our long-range plan, assumed royalty rates which could be payable if we did not own the brands, and a discount rate. Our *Green Giant*, *Uncle Toby s*, and *Mountain High* brands have experienced declining business performance, and we will continue to monitor these businesses. For further information on goodwill and intangible assets, please refer to Note 6 to the Consolidated Financial Statements in Item 8 of this report.

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

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

ITEM 1B Unresolved Staff Comments

None.

ITEM 2 Properties

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

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

U.S. Retail

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

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International

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

Convenience Stores and Foodservice

Chanhassen, Minnesota	Joplin, Missouri	Martel, Ohio

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

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

ITEM 3 Legal Proceedings

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

ITEM 4 Mine Safety Disclosures

None.

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

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

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

(a) The total number of shares purchased includes shares of common stock withheld for the payment of withholding taxes upon the distribution of deferred option units.

(b) On May 6, 2014, our Board of Directors approved an authorization for the repurchase of up to 100,000,000 shares of our common stock. Purchases can be made in the open market or in privately negotiated transactions, including the use of call options and other derivative instruments, Rule 10b5-1 trading plans, and accelerated repurchase programs. The Board did not specify an expiration date for the authorization.

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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, 2015:

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

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

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

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

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ITEM 7 Management s Discussion and Analysis of Financial Condition and Results of Operations
EXECUTIVE OVERVIEW

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

Our fundamental financial goal is to generate superior returns for our stockholders over the long term. We believe that increases in net sales, segment operating profit, earnings per share (EPS), and return on average total capital are the key drivers of financial performance for our business.

Our long-term growth objectives are to consistently deliver:

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

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

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

Our consolidated net sales for the fiscal year ended May 31, 2015, declined 2 percent to $17.6 billion, as unfavorable foreign exchange offset the benefits of a 53rd week and six months of incremental contribution from the Annie s Inc. (Annie s) natural and organic foods business acquired in October 2014. On a constant-currency basis, net sales increased 1 percent. Total segment operating profit of $3.0 billion declined 4 percent and 2 percent in constant currency. Diluted EPS declined 30 percent to $1.97 per share. Adjusted diluted EPS, which excludes certain items affecting comparability of results, rose 1 percent to $2.86 per share and increased 4 percent on a constant-currency basis. These results were in line with our expectations which were revised in the second quarter of fiscal 2015. Our return on average total capital declined 40 basis points to 11.2 percent. (See the Non-GAAP Measures section below for discussion of total segment operating profit, adjusted diluted EPS, constant-currency nets sales growth rates, constant-currency total segment operating profit growth rate, constant-currency adjusted diluted EPS growth rate, and return on average total capital, which are not defined by generally accepted accounting principles (GAAP)).

Net cash provided by operations totaled $2.5 billion in fiscal 2015. This cash generation supported capital investments totaling $712 million in fiscal 2015. We also returned significant cash to stockholders through an 8 percent dividend increase, and share repurchases totaling $1.2 billion.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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FISCAL 2015 CONSOLIDATED RESULTS OF OPERATIONS

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

Fiscal 2015 net sales declined 2 percent to $17,630 million and increased 1 percent on a constant-currency basis. In fiscal 2015, **net earnings attributable to General Mills** were $1,221 million, down 33 percent from $1,824 million in fiscal 2014, and we reported **diluted EPS** of $1.97 in fiscal 2015, down 30 percent from $2.83 in fiscal 2014. Fiscal 2015 results include restructuring-related charges, an indefinite-lived intangible asset impairment charge, tax impact of the repatriation of foreign earnings, losses from the mark-to-market valuation of certain commodity positions and grain inventories, integration costs resulting from the acquisition of Annie s, and the impact of Venezuela currency devaluation. Fiscal 2014 results include the impact of Venezuela currency devaluation, a gain on the divestiture of certain grain elevators, losses from the mark-to-market valuation of certain commodity positions and grain inventories, and restructuring charges related to our fiscal 2012 productivity and cost savings plan. Diluted EPS excluding these items affecting comparability totaled $2.86 in fiscal 2015, up 1 percent from $2.82 in fiscal 2014. Diluted EPS excluding certain items affecting comparability on a constant-currency basis increased 4 percent compared to fiscal 2014 (see the Non-GAAP Measures section below for a description of our use of these measures not defined by GAAP).

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

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

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

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

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

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

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

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

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

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

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

	As Reported						Estimated		
In Millions	**Fiscal 2015**		**Fiscal 2014**		**Future**		**Total**		
	Charge	**Cash**	**Charge**	**Cash**	**Charge**	**Cash**	**Charge**	**Cash**	**Savings (b)**
Total Century (a)	$ 181.8	$ 12.0	$	$	$ 111	$ 109	$ 293	$ 121	
Catalyst	148.4	45.0				73	148	118	
International	13.9	6.5	1.0	6.0	1	8	15	14	
Other	(0.6)	0.1	2.6	16.4					
Total restructuring charges (a)	343.5	63.6	3.6	22.4	112	190	456	253	
Project-related costs recorded in costs of sales	13.2	9.7			52	55	65	65	
Restructuring charges and project-related costs	$ 356.7	$ 73.3	$ 3.6	$ 22.4	$ 164	$ 245	$ 521	$ 318	
Future cumulative annual savings									$ 350

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

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

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

There were no divestitures in fiscal 2015. During fiscal 2014, we recorded a **divestiture gain** of $66 million related to the sale of certain grain elevators in our U.S. Retail segment.

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

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

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

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

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

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

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

FISCAL 2015 CONSOLIDATED BALANCE SHEET ANALYSIS

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

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

Inventories decreased $19 million from fiscal 2014.

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

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

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

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

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

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

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

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

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

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

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

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

FISCAL 2014 CONSOLIDATED RESULTS OF OPERATIONS

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

Fiscal 2014 net sales grew 1 percent to $17,910 million including 1 percentage point of growth contributed by new businesses and 1 percentage point of unfavorable foreign currency exchange. In fiscal 2014, **net earnings attributable to General Mills** were $1,824 million, down 2 percent from $1,855 million in fiscal 2013, and we reported **diluted EPS** of $2.83 in fiscal 2014, up 1 percent from $2.79 in fiscal 2013. Fiscal 2014 results include a gain on the divestiture of certain grain elevators, the impact of Venezuela currency devaluation, gains from the mark-to-market valuation of certain commodity positions and grain inventories, and restructuring charges related to our fiscal 2012 productivity and cost savings plan. Fiscal 2013 results include the effects from various discrete tax items, the impact of Venezuela currency devaluation, restructuring charges related to our fiscal 2012 productivity and cost savings plan, integration costs resulting from the acquisition of Yoki, and gains from the mark-to-market valuation of certain commodity positions and grain inventories. Diluted EPS excluding these items affecting comparability totaled $2.82 in fiscal 2014, up 4 percent from $2.72 in fiscal 2013 (see the Non-GAAP Measures section below for a description of our use of this measure not defined by GAAP).

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

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

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

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

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Cost of sales increased $190 million in fiscal 2014 to $11,540 million. Higher volume drove an $115 million increase in cost of sales. Product mix also drove an $130 million increase in cost of sales. In fiscal 2014, we recorded a $49 million net decrease in cost of sales related to mark-to-market valuation of certain commodity positions and grain inventories as described in Note 7 to the Consolidated Financial Statements in Item 8 of this report, compared to a net decrease of $4 million in fiscal 2013. We also recorded a $23 million foreign exchange loss in fiscal 2014 related to the Venezuela currency devaluation compared to a $16 million loss in fiscal 2013. In fiscal 2013, we also recorded a $17 million non-recurring expense related to the assumption of the Canadian Yoplait franchise license.

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

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

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

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

Our consolidated **effective tax rate** for fiscal 2014 was 33.3 percent compared to 29.2 percent in fiscal 2013. The 4.1 percentage point increase was primarily related to the restructuring of our General Mills Cereals, LLC (GMC) subsidiary during the first quarter of fiscal 2013, which resulted in a $63 million decrease to deferred income tax liabilities related to the tax basis of the investment in GMC and certain distributed assets, with a corresponding non-cash reduction to income taxes. During fiscal 2013, we also recorded a $34 million discrete decrease in income tax expense and an increase in our deferred tax assets related to certain actions taken to restore part of the tax benefits associated with Medicare Part D subsidies which had previously been reduced in fiscal 2010 with the enactment of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010. Our fiscal 2013 tax expense also includes a $12 million charge associated with the liquidation of a corporate investment.

After-tax earnings from joint ventures for fiscal 2014 decreased to $90 million compared to $99 million in fiscal 2013 primarily driven by increased consumer spending at CPW and unfavorable foreign currency exchange from HDJ. The change in net sales for each joint venture is set forth in the following table:

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

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

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

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

RESULTS OF SEGMENT OPERATIONS

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

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

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

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

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

U.S. RETAIL SEGMENT

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

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

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

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

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

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

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

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

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

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

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

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

INTERNATIONAL SEGMENT

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

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

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

(a) Measured in tons based on the stated weight of our product shipments.
The 53rd week in fiscal 2015 contributed approximately 1 percentage point of net sales growth, reflecting 1 percentage point of growth from volume.

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

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

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

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

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

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

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

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

CONVENIENCE STORES AND FOODSERVICE SEGMENT

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

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

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

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

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

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

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

UNALLOCATED CORPORATE ITEMS

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

Unallocated corporate items include corporate overhead expenses, variances to planned domestic employee benefits and incentives, contributions to the General Mills Foundation, asset and liability remeasurement impact of hyperinflationary economies, restructuring initiative project-related costs, and other items that are not part of our measurement of segment operating performance. This includes gains and losses from mark-to-market valuation of certain commodity positions until passed back to our operating segments in accordance with our policy as discussed in Note 7 to the Consolidated Financial Statements in Item 8 of this report.

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

For fiscal 2014, unallocated corporate expense totaled $258 million compared to $351 million in fiscal 2013. In fiscal 2014, we recorded a $49 million net decrease in expense related to mark-to-market valuation of certain commodity positions and grain inventories, compared to a $4 million net decrease in expense in the prior year. Compensation and benefit expenses decreased $59 million and the contribution to the General Mills Foundation decreased in fiscal 2014 compared to fiscal 2013. We also recorded a $62 million foreign exchange loss related to the remeasurement of assets and liabilities of our Venezuelan subsidiary in fiscal 2014 compared to $25 million in fiscal 2013. In fiscal 2013, we also recorded $12 million of integration costs related to the acquisition of Yoki.

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

IMPACT OF INFLATION

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

LIQUIDITY

The primary source of our liquidity is cash flow from operations. Over the most recent three-year period, our operations have generated $8.0 billion in cash. A substantial portion of this operating cash flow has been returned to stockholders through share repurchases and dividends. We also use cash from operations to fund our capital expenditures and acquisitions. We typically use a combination of cash, notes payable, and long-term debt to finance significant acquisitions and major capital expansions.

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

Cash Flows from Operations

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

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

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

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

Cash Flows from Investing Activities

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

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

In fiscal 2014, cash used by investing activities decreased by $954 million from fiscal 2013. We invested $664 million in land, buildings, and equipment in fiscal 2014, $50 million more than in fiscal 2013. We made $55 million of investments in affiliates, primarily CPW, in fiscal 2014. In the fourth quarter of fiscal 2014, we sold certain grain elevators for $124 million in cash, including a working capital adjustment finalized in the first quarter of fiscal 2015. In addition we received $29 million in payments from Sodiaal in fiscal 2014 against the exchangeable note.

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

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Cash Flows from Financing Activities

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

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

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

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

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

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

Selected Cash Flows from Joint Ventures

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

Inflow (Outflow), in Millions	Fiscal Year 2015	2014	2013
Advances to joint ventures, net	**$ (102.4)**	$ (54.9)	$ (36.7)
Dividends received	**72.6**	90.5	115.7

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CAPITAL RESOURCES

Total capital consisted of the following:

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

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

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

To ensure availability of funds, we maintain bank credit lines sufficient to cover our outstanding notes payable. Commercial paper is a continuing source of short-term financing. We have commercial paper programs available to us in the United States and Europe. We also have uncommitted and asset-backed credit lines that support our foreign operations. The credit facilities contain several covenants, including a requirement to maintain a fixed charge coverage ratio of at least 2.5 times.

Certain of our long-term debt agreements, our credit facilities, and our noncontrolling interests contain restrictive covenants. As of May 31, 2015, we were in compliance with all of these covenants.

We have $1,000 million of long-term debt maturing in the next 12 months that is classified as current. We believe that cash flows from operations, together with available short- and long-term debt financing, will be adequate to meet our liquidity and capital needs for at least the next 12 months.

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

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

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

We have a 51 percent controlling interest in Yoplait SAS and a 50 percent interest in Yoplait Marques SNC and Liberté Marques Sàrl. Sodiaal holds the remaining interests in each of these entities. We consolidate these entities into our consolidated financial statements. We record Sodiaal s 50 percent interest in Yoplait Marques SNC and Liberté Marques Sàrl as noncontrolling interests, and their 49 percent interest in Yoplait SAS as a redeemable interest on our Consolidated Balance Sheets. These euro- and Canadian dollar-denominated interests are reported in U.S. dollars on our Consolidated Balance Sheets. Sodiaal has the ability to put a limited portion of its redeemable interest to us at fair value once per year through a maximum term expiring December 2020. As of May 31, 2015, the redemption value of the redeemable interest was $779 million which approximates its fair value.

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

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

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

As of May 31, 2015, we have issued guarantees and comfort letters of $434 million for the debt and other obligations of consolidated subsidiaries, and guarantees and comfort letters of $258 million for the debt and other obligations of non-consolidated affiliates, mainly CPW. In addition, off-balance sheet arrangements are generally limited to the future payments under non-cancelable operating leases, which totaled $400 million as of May 31, 2015.

As of May 31, 2015, we had invested in five variable interest entities (VIEs). None of our VIEs are material to our results of operations, financial condition, or liquidity as of and for the year ended May 31, 2015.

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

		Payments Due by Fiscal Year	
In Millions	Total	2016	2017 -18