

GENERAL MILLS INC  
Form 10-Q  
December 17, 2015  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED November 29, 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)

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

## Edgar Filing: GENERAL MILLS INC - Form 10-Q

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

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

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

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

Number of shares of Common Stock outstanding as of December 9, 2015: 593,345,187 (excluding 161,268,141 shares held in the treasury).

---

**Table of Contents**

General Mills, Inc.

Table of Contents

|   | <b>Page</b> |
|---|-------------|
| <b><u>PART I Financial Information</u></b>  |             |
| Item 1. <b><u>Financial Statements</u></b>  |             |
| <b><u>Consolidated Statements of Earnings for the quarterly and six-month periods ended November 29, 2015 and November 23, 2014</u></b>                               | 3           |
| <b><u>Consolidated Statements of Comprehensive Income for the quarterly and six-month periods November 29, 2015 and November 23, 2014</u></b>                         | 4           |
| <b><u>Consolidated Balance Sheets as of November 29, 2015, and May 31, 2015</u></b>   | 5           |
| <b><u>Consolidated Statements of Total Equity and Redeemable Interest for the six-month period ended November 29, 2015 and the fiscal year ended May 31, 2015</u></b> | 6           |
| <b><u>Consolidated Statements of Cash Flows for the six-month periods ended November 29, 2015 and November 23, 2014</u></b>   | 7           |
| Item 2. <b><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>   | 24          |
| Item 3. <b><u>Quantitative and Qualitative Disclosures About Market Risk</u></b>  | 41          |
| Item 4. <b><u>Controls and Procedures</u></b>   | 41          |
| <b><u>PART II Other Information</u></b>   |             |
| Item 2. <b><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></b>   | 42          |
| Item 6. <b><u>Exhibits</u></b>  | 43          |
| <b><u>Signatures</u></b>  | 44          |

**Table of Contents**

## PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**Consolidated Statements of Earnings**

GENERAL MILLS, INC. AND SUBSIDIARIES

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

|  | Quarter Ended    |                  | Six-Month<br>Period Ended |                  |
|--|------------------|------------------|---------------------------|------------------|
|  | Nov. 29,<br>2015 | Nov. 23,<br>2014 | Nov. 29,<br>2015          | Nov. 23,<br>2014 |
| Net sales  | \$ 4,424.9       | \$ 4,712.2       | \$ 8,632.8                | \$ 8,980.6       |
| Cost of sales  | 2,884.3          | 3,093.1          | 5,537.6                   | 5,922.8          |
| Selling, general, and administrative expenses  | 772.7            | 845.5            | 1,583.9                   | 1,712.7          |
| Divestiture (gain)   | (199.1)          |                  | (199.1)                   |                  |
| Restructuring, impairment, and other exit costs  | 61.3             | 214.6            | 121.4                     | 228.6            |
| Operating profit   | 905.7            | 559.0            | 1,589.0                   | 1,116.5          |
| Interest, net  | 73.8             | 77.3             | 149.1                     | 155.8            |
| Earnings before income taxes and after-tax earnings from joint ventures                  | 831.9            | 481.7            | 1,439.9                   | 960.7            |
| Income taxes   | 311.5            | 153.4            | 510.1                     | 306.0            |
| After-tax earnings from joint ventures   | 23.2             | 27.1             | 48.9                      | 53.1             |
| Net earnings, including earnings attributable to redeemable and noncontrolling interests | 543.6            | 355.4            | 978.7                     | 707.8            |
| Net earnings attributable to redeemable and noncontrolling interests                     | 14.1             | 9.3              | 22.6                      | 16.5             |
| Net earnings attributable to General Mills   | \$ 529.5         | \$ 346.1         | \$ 956.1                  | \$ 691.3         |
| Earnings per share - basic   | \$ 0.88          | \$ 0.58          | \$ 1.59                   | \$ 1.14          |
| Earnings per share - diluted   | \$ 0.87          | \$ 0.56          | \$ 1.56                   | \$ 1.11          |
| Dividends per share  | \$ 0.44          | \$ 0.41          | \$ 0.88                   | \$ 0.82          |

See accompanying notes to consolidated financial statements.



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

## GENERAL MILLS, INC. AND SUBSIDIARIES

(Unaudited) (In Millions)

|  | <b>Quarter Ended</b>     |                          | <b>Six-Month<br/>Period Ended</b> |                          |
|--|--------------------------|--------------------------|-----------------------------------|--------------------------|
|  | <b>Nov. 29,<br/>2015</b> | <b>Nov. 23,<br/>2014</b> | <b>Nov. 29,<br/>2015</b>          | <b>Nov. 23,<br/>2014</b> |
| Net earnings, including earnings attributable to redeemable and noncontrolling interests | <b>\$ 543.6</b>          | \$ 355.4                 | <b>\$ 978.7</b>                   | \$ 707.8                 |
| Other comprehensive loss, net of tax:  |                          |                          |                                   |                          |
| Foreign currency translation   | <b>(70.3)</b>            | (297.3)                  | <b>(212.5)</b>                    | (389.8)                  |
| Other fair value changes:  |                          |                          |                                   |                          |
| Securities   | <b>0.1</b>               | 0.2                      |                                   | 0.3                      |
| Hedge derivatives  | <b>0.1</b>               | 5.8                      | <b>10.4</b>                       | 4.6                      |
| Reclassification to earnings:  |                          |                          |                                   |                          |
| Hedge derivatives  | <b>(0.3)</b>             | 1.8                      | <b>0.4</b>                        | 5.3                      |
| Amortization of losses and prior service costs   | <b>35.9</b>              | 29.5                     | <b>66.8</b>                       | 53.0                     |
| Other comprehensive loss, net of tax   | <b>(34.5)</b>            | (260.0)                  | <b>(134.9)</b>                    | (326.6)                  |
| Total comprehensive income   | <b>509.1</b>             | 95.4                     | <b>843.8</b>                      | 381.2                    |
| Comprehensive loss attributable to redeemable and noncontrolling interests               | <b>(33.6)</b>            | (66.0)                   | <b>(16.0)</b>                     | (90.8)                   |
| Comprehensive income attributable to General Mills                                       | <b>\$ 542.7</b>          | \$ 161.4                 | <b>\$ 859.8</b>                   | \$ 472.0                 |

See accompanying notes to consolidated financial statements.

**Table of Contents****Consolidated Balance Sheets**

## GENERAL MILLS, INC. AND SUBSIDIARIES

(In Millions, Except Par Value)

|  | Nov. 29,<br>2015<br>(Unaudited) | May 31,<br>2015 |
|--|---------------------------------|-----------------|
| <b>ASSETS</b>  |                                 |                 |
| Current assets:  |                                 |                 |
| Cash and cash equivalents                                    | \$ 649.8                        | \$ 334.2        |
| Receivables  | 1,461.3                         | 1,386.7         |
| Inventories  | 1,455.0                         | 1,540.9         |
| Deferred income taxes  | 98.6                            | 100.1           |
| Prepaid expenses and other current assets                    | 382.9                           | 423.8           |
| <br>   |                                 |                 |
| Total current assets   | 4,047.6                         | 3,785.7         |
| Land, buildings, and equipment                               | 3,588.4                         | 3,783.3         |
| Goodwill   | 8,602.1                         | 8,874.9         |
| Other intangible assets                                      | 4,471.0                         | 4,677.0         |
| Other assets   | 879.6                           | 811.2           |
| <br>   |                                 |                 |
| Total assets   | \$ 21,588.7                     | \$ 21,932.1     |
| <br>   |                                 |                 |
| <b>LIABILITIES AND EQUITY</b>                                |                                 |                 |
| Current liabilities:   |                                 |                 |
| Accounts payable   | \$ 1,704.1                      | \$ 1,684.0      |
| Current portion of long-term debt                            | 1,100.2                         | 1,000.4         |
| Notes payable  | 306.7                           | 615.8           |
| Other current liabilities                                    | 1,858.4                         | 1,589.9         |
| <br>   |                                 |                 |
| Total current liabilities                                    | 4,969.4                         | 4,890.1         |
| Long-term debt   | 7,416.6                         | 7,575.3         |
| Deferred income taxes  | 1,508.3                         | 1,550.3         |
| Other liabilities  | 1,711.8                         | 1,744.8         |
| <br>   |                                 |                 |
| Total liabilities  | 15,606.1                        | 15,760.5        |
| <br>   |                                 |                 |
| Redeemable interest  | 817.4                           | 778.9           |
| <br>   |                                 |                 |
| Stockholders' equity:  |                                 |                 |
| Common stock, 754.6 shares issued, \$0.10 par value          | 75.5                            | 75.5            |
| Additional paid-in capital                                   | 1,155.4                         | 1,296.7         |
| Retained earnings  | 12,416.0                        | 11,990.8        |
| Common stock in treasury, at cost, shares of 161.3 and 155.9 | (6,442.9)                       | (6,055.6)       |
| Accumulated other comprehensive loss                         | (2,407.0)                       | (2,310.7)       |

Edgar Filing: GENERAL MILLS INC - Form 10-Q

|                              |                    |             |
|------------------------------|--------------------|-------------|
| Total stockholders' equity   | <b>4,797.0</b>     | 4,996.7     |
| Noncontrolling interests     | <b>368.2</b>       | 396.0       |
| Total equity                 | <b>5,165.2</b>     | 5,392.7     |
| Total liabilities and equity | <b>\$ 21,588.7</b> | \$ 21,932.1 |

See accompanying notes to consolidated financial statements.



**Table of Contents****Consolidated Statements of Total Equity and Redeemable Interest**

GENERAL MILLS, INC. AND SUBSIDIARIES

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

|   | <b>Issued</b> |                   | <b>Treasury</b>                   |                | <b>Accumulated</b>  |                          | <b>Non-Controlling Interests</b> | <b>Total Equity</b> | <b>Redeemable Interest</b> |                                 |
|---|---------------|-------------------|-----------------------------------|----------------|---------------------|--------------------------|----------------------------------|---------------------|----------------------------|---------------------------------|
|   | <b>Shares</b> | <b>Par Amount</b> | <b>Additional Paid-In Capital</b> | <b>Shares</b>  | <b>Amount</b>       | <b>Retained Earnings</b> |                                  |                     |                            | <b>Other Comprehensive Loss</b> |
| <b>Balance as of May 25, 2014</b>                                 | 754.6         | \$ 75.5           | \$ 1,231.8                        | (142.3)        | \$ (5,219.4)        | \$ 11,787.2              | \$ (1,340.3)                     | \$ 470.6            | \$ 7,005.4                 | \$ 984.1                        |
| Total comprehensive income (loss)                                 |               |                   |                                   |                |                     | 1,221.3                  | (970.4)                          | (70.0)              | 180.9                      | (122.9)                         |
| Cash dividends declared (\$1.67 per share)                        |               |                   |                                   |                |                     | (1,017.7)                |                                  |                     | (1,017.7)                  |                                 |
| Shares purchased  |               |                   |                                   | (22.3)         | (1,161.9)           |                          |                                  |                     | (1,161.9)                  |                                 |
| Stock compensation plans (includes income tax benefits of \$74.6) |               |                   | (38.1)                            | 8.7            | 325.7               |                          |                                  |                     | 287.6                      |                                 |
| Unearned compensation related to restricted stock unit awards     |               |                   | (80.8)                            |                |                     |                          |                                  |                     | (80.8)                     |                                 |
| Earned compensation   |               |                   | 111.1                             |                |                     |                          |                                  |                     | 111.1                      |                                 |
| Decrease in redemption value of redeemable interest               |               |                   | 83.2                              |                |                     |                          |                                  |                     | 83.2                       | (83.2)                          |
| Addition of noncontrolling interest                               |               |                   |                                   |                |                     |                          |                                  | 20.7                | 20.7                       |                                 |
| Acquisition of interest in subsidiary                             |               |                   | (10.5)                            |                |                     |                          |                                  | 0.6                 | (9.9)                      |                                 |
| Distributions to noncontrolling and redeemable interest holders   |               |                   |                                   |                |                     |                          |                                  | (25.9)              | (25.9)                     | 0.9                             |
| <b>Balance as of May 31, 2015</b>                                 | 754.6         | 75.5              | 1,296.7                           | (155.9)        | (6,055.6)           | 11,990.8                 | (2,310.7)                        | 396.0               | 5,392.7                    | 778.9                           |
| Total comprehensive income (loss)                                 |               |                   |                                   |                |                     | 956.1                    | (96.3)                           | (5.7)               | 854.1                      | (10.3)                          |
| Cash dividends declared (\$0.88 per share)                        |               |                   |                                   |                |                     | (530.9)                  |                                  |                     | (530.9)                    |                                 |
| Shares purchased  |               |                   | (11.7)                            | (9.5)          | (537.3)             |                          |                                  |                     | (549.0)                    |                                 |
| Stock compensation plans (includes income tax benefits of \$44.7) |               |                   | (15.3)                            | 4.1            | 150.0               |                          |                                  |                     | 134.7                      |                                 |
| Unearned compensation related to restricted stock unit awards     |               |                   | (60.4)                            |                |                     |                          |                                  |                     | (60.4)                     |                                 |
| Earned compensation   |               |                   | 50.0                              |                |                     |                          |                                  |                     | 50.0                       |                                 |
| Increase in redemption value of redeemable interest               |               |                   | (103.9)                           |                |                     |                          |                                  |                     | (103.9)                    | 103.9                           |
| Distributions to noncontrolling and redeemable interest holders   |               |                   |                                   |                |                     |                          |                                  | (22.1)              | (22.1)                     | (55.1)                          |
| <b>Balance as of Nov. 29, 2015</b>                                | <b>754.6</b>  | <b>\$ 75.5</b>    | <b>\$ 1,155.4</b>                 | <b>(161.3)</b> | <b>\$ (6,442.9)</b> | <b>\$ 12,416.0</b>       | <b>\$ (2,407.0)</b>              | <b>\$ 368.2</b>     | <b>\$ 5,165.2</b>          | <b>\$ 817.4</b>                 |

See accompanying notes to consolidated financial statements.



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

## GENERAL MILLS, INC. AND SUBSIDIARIES

(Unaudited) (In Millions)

|  | <b>Six-Month Period Ended</b> |                          |
|--|-------------------------------|--------------------------|
|  | <b>Nov. 29,<br/>2015</b>      | <b>Nov. 23,<br/>2014</b> |
| <b>Cash Flows - Operating Activities</b>   |                               |                          |
| Net earnings, including earnings attributable to redeemable and noncontrolling interests         | \$ 978.7                      | \$ 707.8                 |
| Adjustments to reconcile net earnings to net cash provided by operating activities:              |                               |                          |
| Depreciation and amortization  | 292.5                         | 290.4                    |
| After-tax earnings from joint ventures   | (48.9)                        | (53.1)                   |
| Distributions of earnings from joint ventures  | 28.6                          | 28.9                     |
| Stock-based compensation   | 52.7                          | 64.9                     |
| Deferred income taxes  | (32.7)                        | 13.2                     |
| Tax benefit on exercised options   | (44.7)                        | (26.8)                   |
| Pension and other postretirement benefit plan contributions                                      | (22.7)                        | (24.4)                   |
| Pension and other postretirement benefit plan costs  | 58.9                          | 46.0                     |
| Divestiture (gain)   | (199.1)                       |                          |
| Restructuring, impairment, and other exit costs  | 89.8                          | 236.6                    |
| Changes in current assets and liabilities, excluding the effects of acquisitions and divestiture | 57.0                          | (414.4)                  |
| Other, net   | (54.1)                        | (5.9)                    |
| <br>   |                               |                          |
| Net cash provided by operating activities  | <b>1,156.0</b>                | 863.2                    |
| <br>   |                               |                          |
| <b>Cash Flows - Investing Activities</b>   |                               |                          |
| Purchases of land, buildings, and equipment  | (293.5)                       | (317.6)                  |
| Acquisitions, net of cash acquired   |                               | (822.3)                  |
| Investments in affiliates, net   | 11.7                          | (32.3)                   |
| Proceeds from disposal of land, buildings, and equipment   | 1.2                           | 1.1                      |
| Proceeds from divestiture  | 822.7                         |                          |
| Other, net   | (19.1)                        | (0.1)                    |
| <br>   |                               |                          |
| Net cash provided (used) by investing activities   | <b>523.0</b>                  | (1,171.2)                |
| <br>   |                               |                          |
| <b>Cash Flows - Financing Activities</b>   |                               |                          |
| Change in notes payable  | (293.7)                       | 922.3                    |
| Issuance of long-term debt   |                               | 1,274.5                  |
| Payment of long-term debt  | (0.3)                         | (393.3)                  |
| Proceeds from common stock issued on exercised options   | 64.5                          | 35.9                     |
| Tax benefit on exercised options   | 44.7                          | 26.8                     |
| Purchases of common stock for treasury   | (549.0)                       | (968.8)                  |
| Dividends paid   | (530.9)                       | (503.2)                  |
| Distributions to noncontrolling and redeemable interest holders                                  | (77.2)                        | (20.5)                   |
| Other, net   | 0.1                           | (4.0)                    |
| <br>   |                               |                          |
| Net cash provided (used) by financing activities   | <b>(1,341.8)</b>              | 369.7                    |

## Edgar Filing: GENERAL MILLS INC - Form 10-Q

|  |                   |            |
|--|-------------------|------------|
| Effect of exchange rate changes on cash and cash equivalents   | (21.6)            | (34.5)     |
| Increase in cash and cash equivalents  | <b>315.6</b>      | 27.2       |
| Cash and cash equivalents - beginning of year  | <b>334.2</b>      | 867.3      |
| <br>   |                   |            |
| Cash and cash equivalents - end of period  | <b>\$ 649.8</b>   | \$ 894.5   |
| <br>   |                   |            |
| Cash Flow from Changes in Current Assets and Liabilities, excluding the effects of acquisitions and divestiture: |                   |            |
| Receivables  | <b>\$ (109.9)</b> | \$ (248.8) |
| Inventories  | <b>(196.2)</b>    | (309.6)    |
| Prepaid expenses and other current assets  | <b>18.6</b>       | (6.6)      |
| Accounts payable   | <b>56.3</b>       | 139.7      |
| Other current liabilities  | <b>288.2</b>      | 10.9       |
| <br>   |                   |            |
| Changes in current assets and liabilities  | <b>\$ 57.0</b>    | \$ (414.4) |

See accompanying notes to consolidated financial statements.

**Table of Contents**

GENERAL MILLS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**(1) Background**

The accompanying Consolidated Financial Statements of General Mills, Inc. (we, us, our, General Mills, or the Company) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the rules and regulations for reporting on Form 10-Q. Accordingly, they do not include certain information and disclosures required for comprehensive financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal recurring nature, including the elimination of all intercompany transactions and any noncontrolling and redeemable interests' share of those transactions. Operating results for the quarter and six-months ended November 29, 2015 are not necessarily indicative of the results that may be expected for the fiscal year ending May 29, 2016.

These statements should be read in conjunction with the Consolidated Financial Statements and footnotes included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2015. The accounting policies used in preparing these Consolidated Financial Statements are the same as those described in Note 2 to the Consolidated Financial Statements in that Form 10-K.

**(2) Acquisition and Divestiture**

During the second quarter of fiscal 2016, we sold our North American Green Giant product lines for \$822.7 million in cash, and we recorded a pre-tax gain of \$199.1 million. We received net cash proceeds of \$788.0 million after transaction related costs. After the divestiture we retained a brand intangible asset on our Consolidated Balance Sheets of \$30.1 million related to our continued use of the *Green Giant* brand in certain markets outside of North America.

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

**Table of Contents****(3) Restructuring Initiatives**

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

| In Millions  | Quarter Ended<br>Nov. 29, 2015 |                |                |                |               |                | Quarter Ended<br>Nov. 23, 2014 |                |                |                |               |                 |
|--|--------------------------------|----------------|----------------|----------------|---------------|----------------|--------------------------------|----------------|----------------|----------------|---------------|-----------------|
|  | Asset<br>Write-                |                | Pension        |                | Accelerated   |                | Asset<br>Write-                |                | Pension        |                | Accelerated   |                 |
|  | Severance                      | offs           | Related        | Depreciation   | Other         | Total          | Severance                      | offs           | Related        | Depreciation   | Other         | Total           |
|  | \$                             | \$             | \$             | \$             | \$            | \$             | \$                             | \$             | \$             | \$             | \$            | \$              |
| Project Compass  | \$ 2.2                         | \$             | \$ (0.2)       | \$             | \$ 0.1        | \$ 2.1         | \$                             | \$             | \$             | \$             | \$            | \$              |
| Project Century  | 25.8                           | 10.1           | 19.1           | 21.2           | 4.8           | 81.0           | 21.7                           | 32.6           | 15.6           | 12.6           | 6.4           | 88.9            |
| Project Catalyst   |                                |                |                |                |               |                | 145.0                          |                |                |                |               | 145.0           |
| Combination of certain operational facilities                      |                                |                |                |                |               |                | (0.1)                          |                |                |                |               | (0.1)           |
| Charges associated with restructuring actions previously announced |                                |                |                |                |               |                | (0.6)                          |                |                |                |               | (0.6)           |
| <b>Total</b>   | <b>\$ 28.0</b>                 | <b>\$ 10.1</b> | <b>\$ 18.9</b> | <b>\$ 21.2</b> | <b>\$ 4.9</b> | <b>\$ 83.1</b> | <b>\$ 166.0</b>                | <b>\$ 32.6</b> | <b>\$ 15.6</b> | <b>\$ 12.6</b> | <b>\$ 6.4</b> | <b>\$ 233.2</b> |

| In Millions  | Six-Month Period Ended<br>Nov. 29, 2015 |                |                |                |                |                 | Six-Month Period Ended<br>Nov. 23, 2014 |                |                |                |               |                 |
|--|---|----------------|----------------|----------------|----------------|-----------------|---|----------------|----------------|----------------|---------------|-----------------|
|  | Asset<br>Write-                         |                | Pension        |                | Accelerated    |                 | Asset<br>Write-                         |                | Pension        |                | Accelerated   |                 |
|  | Severance                               | offs           | Related        | Depreciation   | Other          | Total           | Severance                               | offs           | Related        | Depreciation   | Other         | Total           |
|  | \$                                      | \$             | \$             | \$             | \$             | \$              | \$                                      | \$             | \$             | \$             | \$            | \$              |
| Project Compass  | \$ 47.1                                 | \$             | \$ (0.2)       | \$             | \$ 6.7         | \$ 53.6         | \$                                      | \$             | \$             | \$             | \$            | \$              |
| Project Century  | 28.1                                    | 12.5           | 19.1           | 42.6           | 8.9            | 111.2           | 21.7                                    | 32.6           | 15.6           | 12.6           | 6.4           | 88.9            |
| Project Catalyst   | 0.2                                     |                |                |                |                | 0.2             | 145.0                                   |                |                |                |               | 145.0           |
| Combination of certain operational facilities                      |   |                |                |                |                |                 | 13.0                                    | 0.7            |                |                | 0.2           | 13.9            |
| Charges associated with restructuring actions previously announced |   |                |                |                |                |                 | (0.6)                                   |                |                |                |               | (0.6)           |
| <b>Total</b>   | <b>\$ 75.4</b>                          | <b>\$ 12.5</b> | <b>\$ 18.9</b> | <b>\$ 42.6</b> | <b>\$ 15.6</b> | <b>\$ 165.0</b> | <b>\$ 179.1</b>                         | <b>\$ 33.3</b> | <b>\$ 15.6</b> | <b>\$ 12.6</b> | <b>\$ 6.6</b> | <b>\$ 247.2</b> |

In the first quarter of fiscal 2016, we approved Project Compass, a restructuring plan designed to enable our International segment to accelerate long-term growth through increased organizational effectiveness and reduced administrative expense. In connection with this project, we expect to eliminate approximately 725 to 775 positions. We expect to incur approximately \$62 to \$65 million of net expenses relating to this action of which approximately \$61 million will be cash. We recorded \$2.1 million of restructuring charges in the second quarter of fiscal 2016 and \$53.6 million in the six-month period ended November 29, 2015 relating to this action. We expect this action to be completed by the end of fiscal 2017.

Project Century (Century) began in fiscal 2015 as a review of our North American manufacturing and distribution network to streamline operations and identify potential capacity reductions. In the second quarter of fiscal 2016, we broadened the scope of Project Century to identify opportunities to streamline our supply chain outside of North America. As part of the expanded project, we notified employees and their representatives of the proposal, pending consultation, to close the dough and dry mix manufacturing facility in our International segment supply chain located in Berwick, United Kingdom. If implemented, this action would affect approximately 265 positions. We would expect, subject to the proposal proceeding, to incur total restructuring charges of approximately \$46 to \$51 million, including approximately \$10 million of severance expense and \$36 million to \$41 million of other charges, primarily fixed asset write-offs. These expenses include cash charges of approximately \$21 million. We would expect to record approximately \$24 to \$29 million pre-tax of restructuring charges in the third quarter of fiscal 2016 and we would expect these actions to be completed by the end of fiscal 2017.

As part of Century, in the second quarter of fiscal 2016, we notified the employees and their representatives of our decision to close our pasta manufacturing facility in East Tamaki, New Zealand in our International segment supply chain. This action will affect approximately 20 positions, and we expect to incur less than \$1 million of net expenses relating to this action, most of which will be cash. We recorded \$0.4 million of restructuring charges in the second quarter of fiscal 2016 relating to this action. We expect these actions to be completed by the end of fiscal 2017.



**Table of Contents**

As part of Century, in the first quarter of fiscal 2016, we notified the union member employees and union representatives at our West Chicago, Illinois facility of our decision to close this cereal and dry dinner manufacturing plant in our U.S. Retail segment supply chain. This action will affect approximately 500 positions, and we expect to incur approximately \$123 million of net expenses relating to this action, of which approximately \$55 million will be cash. We recorded \$64.0 million of restructuring charges in the second quarter of fiscal 2016 and the six-month period ended November 29, 2015 relating to this action. We expect this action to be completed by the end of fiscal 2019.

As part of Century, in the first quarter of fiscal 2016, we notified the employees at our snacks manufacturing facility in Joplin, Missouri of our decision to close this plant in our U.S. Retail segment supply chain. This action will affect approximately 120 positions, and we expect to incur approximately \$12 million of net expenses relating to this action, of which approximately \$5 million will be cash. We recorded \$2.9 million of restructuring charges in the second quarter of fiscal 2016 and \$7.8 million in the six-month period ended November 29, 2015 relating to this action. We expect this action to be completed by the end of fiscal 2018.

As part of Century, in the second quarter of fiscal 2015, we approved a restructuring plan to consolidate yogurt manufacturing capacity and exit our Methuen, Massachusetts facility in our U.S. Retail segment and Convenience Stores and Foodservice segment supply chains. This action will affect approximately 250 positions. We expect to incur approximately \$65 million of net expenses relating to this action of which approximately \$14 million will be cash. We recorded \$3.3 million of restructuring charges in the second quarter of fiscal 2016 and \$15.2 million in the six-month period ended November 29, 2015 relating to this action. We recorded \$25.7 million of restructuring charges in the quarter and six-month periods ended November 23, 2014 relating to this action. We expect this action to be completed by the end of fiscal 2016.

As part of Century, in the second quarter of fiscal 2015, we approved a restructuring plan to eliminate excess cereal and dry mix capacity and exit our Lodi, California facility in our U.S. Retail supply chain. This action will affect approximately 430 positions. We expect to incur approximately \$102 million of net expenses relating to this action of which approximately \$38 million will be cash. We recorded \$7.9 million of restructuring charges in the second quarter of fiscal 2016 and \$17.0 million in the six-month period ended November 29, 2015 relating to this action. We recorded \$44.8 million of restructuring charges in the quarter and six-month periods ended November 23, 2014 relating to this action. We expect this action to be completed by the end of fiscal 2016.

In addition, we recorded restructuring charges of \$2.5 million in the second quarter of fiscal 2016, \$6.8 million in the six-month period ended November 29, 2015, and \$18.4 million in the quarter and six-month period ended November 23, 2014 relating to other Century actions previously announced.

During the second quarter of fiscal 2015, we approved Project Catalyst, a restructuring plan to increase organizational effectiveness and reduce overhead expense. In connection with this project, we expect to eliminate approximately 800 positions primarily in the United States. We expect to incur approximately \$149 million of net expenses relating to these actions of which approximately \$118 million will be cash. We recorded \$0.2 million of restructuring charges in the six-month period ended November 29, 2015 relating to these actions. These actions were largely completed in fiscal 2015.

During the first quarter of fiscal 2015, we approved a plan to combine certain Yoplait and General Mills operational facilities within our International segment to increase efficiencies and reduce costs. This action will affect approximately 240 positions. We expect to incur approximately \$15 million of net expenses relating to this action of which approximately \$12 million will be cash. We expect this action to be completed in fiscal 2017.

During the six-month period ended November 29, 2015, we paid \$75.2 million in cash relating to restructuring initiatives.

In addition to restructuring charges, we expect to incur approximately \$105 million of additional project-related costs, which will be recorded in cost of sales, all of which will be cash. We recorded project-related costs in cost of sales of \$16.2 million in the second quarter of fiscal 2016 and \$29.3 million in the six-month period ended November 29, 2015.



**Table of Contents**

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

| In Millions                                       | Quarter Ended |               | Six-Month<br>Period Ended |               |
|---|---------------|---------------|---------------------------|---------------|
|   | Nov. 29, 2015 | Nov. 23, 2014 | Nov. 29, 2015             | Nov. 23, 2014 |
| Cost of sales                                     | \$ 21.8       | \$ 18.6       | \$ 43.6                   | \$ 18.6       |
| Restructuring, impairment, and other exit costs   | 61.3          | 214.6         | 121.4                     | 228.6         |
| Total restructuring charges                       | 83.1          | 233.2         | 165.0                     | 247.2         |
| Project-related costs classified in cost of sales | \$ 16.2       | \$            | \$ 29.3                   | \$            |

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

| In Millions  | Severance       | Contract<br>Termination | Other<br>Exit Costs | Total           |
|--|-----------------|-------------------------|---------------------|-----------------|
| Reserve balance as of May 31, 2015   | \$ 118.6        | \$ 0.6                  | \$ 1.6              | \$ 120.8        |
| Fiscal 2016 charges, including foreign currency translation<br>Utilized in fiscal 2016 | 72.5<br>(59.2)  | 1.5<br>(0.4)            | 4.1<br>(4.1)        | 78.1<br>(63.7)  |
| <b>Reserve balance as of Nov. 29, 2015</b>   | <b>\$ 131.9</b> | <b>\$ 1.7</b>           | <b>\$ 1.6</b>       | <b>\$ 135.2</b> |

The charges recognized in the roll forward of our reserves for restructuring and other exit costs do not include items charged directly to expense (e.g., asset impairment charges, the gain or loss on the sale of restructured assets, and the write-off of spare parts) and other periodic exit costs recognized as incurred, as those items are not reflected in our restructuring and other exit cost reserves on our Consolidated Balance Sheets.

**(4) Goodwill and Other Intangible Assets**

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

| In Millions  | Nov. 29,<br>2015 | May 31,<br>2015 |
|--|------------------|-----------------|
| Goodwill   | \$ 8,602.1       | \$ 8,874.9      |
| Other intangible assets:   |                  |                 |
| Intangible assets not subject to amortization:                                   |                  |                 |
| Brands and other indefinite-lived intangibles                                    | 4,083.0          | 4,262.1         |
| Intangible assets subject to amortization:                                       |                  |                 |
| Franchise agreements, customer relationships, and other finite-lived intangibles | 524.8            | 544.0           |
| Less accumulated amortization  | (136.8)          | (129.1)         |
| Intangible assets subject to amortization, net                                   | 388.0            | 414.9           |
| Other intangible assets  | 4,471.0          | 4,677.0         |
| Total  | \$ 13,073.1      | \$ 13,551.9     |

Based on the carrying value of finite-lived intangible assets as of November 29, 2015, annual amortization expense for each of the next five fiscal years is estimated to be approximately \$27 million.

**Table of Contents**

The changes in the carrying amount of goodwill during fiscal 2016 were as follows:

| <b>In Millions</b>                                     | <b>U.S.</b>       | <b>Convenience Stores</b> |                            |                           | <b>Total</b> |
|--|-------------------|---------------------------|----------------------------|---------------------------|--------------|
|  | <b>Retail</b>     | <b>International</b>      | <b>and<br/>Foodservice</b> | <b>Joint<br/>Ventures</b> |              |
| Balance as of May 31, 2015                             | \$ 6,419.0        | \$ 1,133.3                | \$ 921.1                   | \$ 401.5                  | \$ 8,874.9   |
| Divestiture  | (180.2)           | (4.3)                     |                            |                           | (184.5)      |
| Other activity, primarily foreign currency translation |                   | (74.0)                    |                            | (14.3)                    | (88.3)       |
| <b>Balance as of Nov. 29, 2015</b>                     | <b>\$ 6,238.8</b> | <b>\$ 1,055.0</b>         |                            |                           |              |