

GENERAL MILLS INC  
Form 10-Q  
March 18, 2009

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**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 February 22, 2009.
- 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, MN  
(Mail: P.O. Box 1113)  
(Address of principal executive offices)

55426  
(Mail: 55440)  
(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   
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

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 Exchange Act).  
Yes  No

Number of shares of Common Stock outstanding as of March 12, 2009: 328,978,674 (excluding 48,327,990 shares held in the treasury).

General Mills, Inc.  
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## Part I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

GENERAL MILLS, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF EARNINGS  
 (Unaudited) (In Millions, Except per Share Data)

	Quarter Ended		Nine-Month Period Ended	
	Feb. 22, 2009	Feb. 24, 2008	Feb. 22, 2009	Feb. 24, 2008
Net sales	\$ 3,537.4	\$ 3,405.6	\$ 11,045.6	\$ 10,181.0
Cost of sales	2,259.9	2,051.4	7,356.7	6,339.4
Selling, general, and administrative expenses	671.0	653.8	2,119.8	1,926.7
Divestiture (gain)			(128.8)	
Restructuring, impairment, and other exit costs	1.2	5.0	6.4	22.3
Operating profit	605.3	695.4	1,691.5	1,892.6
Interest, net	100.4	102.6	287.6	331.8
Earnings before income taxes and after-tax earnings from joint ventures	504.9	592.8	1,403.9	1,560.8
Income taxes	231.7	192.4	538.0	531.0
After-tax earnings from joint ventures	15.7	29.7	79.7	79.7
Net earnings	\$ 288.9	\$ 430.1	\$ 945.6	\$ 1,109.5
Earnings per share - basic	\$ 0.88	\$ 1.28	\$ 2.84	\$ 3.32
Earnings per share - diluted	\$ 0.85	\$ 1.23	\$ 2.73	\$ 3.19
Dividends per share	\$ 0.43	\$ 0.39	\$ 1.29	\$ 1.17

See accompanying notes to consolidated financial statements.



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GENERAL MILLS, INC. AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 (In Millions, Except Par Value)

	Feb. 22, 2009 (Unaudited)	May 25, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 937.3	\$ 661.0
Receivables	1,136.0	1,081.6
Inventories	1,360.6	1,366.8
Deferred income taxes	35.1	
Prepaid expenses and other current assets	419.9	510.6
Total current assets	3,888.9	3,620.0
Land, buildings, and equipment	2,973.6	3,108.1
Goodwill	6,607.5	6,786.1
Other intangible assets	3,680.4	3,777.2
Other assets	1,928.3	1,750.2
Total assets	\$ 19,078.7	\$ 19,041.6
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 716.1	\$ 937.3
Current portion of long-term debt	518.3	442.0
Notes payable	1,413.8	2,208.8
Deferred income taxes		28.4
Other current liabilities	1,379.9	1,239.8
Total current liabilities	4,028.1	4,856.3
Long-term debt	5,755.4	4,348.7
Deferred income taxes	1,420.4	1,454.6
Other liabilities	2,095.4	1,923.9
Total liabilities	13,299.3	12,583.5
Minority interests	242.3	242.3
Stockholders' equity:		

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Common stock, 377.3 shares issued, \$0.10 par value	37.7	37.7
Additional paid-in capital	1,230.1	1,149.1
Retained earnings	7,018.5	6,510.7
Common stock in treasury, at cost, shares of 48.6 and 39.8	(2,436.3)	(1,658.4)
Accumulated other comprehensive income (loss)	(312.9)	176.7
Total stockholders' equity	5,537.1	6,215.8
Total liabilities and equity	\$ 19,078.7	\$ 19,041.6

See accompanying notes to consolidated financial statements.

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GENERAL MILLS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)  
(Unaudited) (In Millions, Except per Share Data)

	<b>\$0.10 Par Value Common Stock (One Billion Shares Authorized)</b>		<b>Treasury</b>		<b>Accumulated Other Retained Comprehensive Income</b>		<b>Total</b>	
	<b>Issued Par Shares</b>	<b>Additional Paid-In Capital</b>	<b>Shares</b>	<b>Amount</b>	<b>Earnings</b>	<b>(Loss)</b>		
<b>Balance as of May 27, 2007</b>	502.3	\$ 50.2	\$ 5,841.3	(161.7)	(\$6,198.0)	\$ 5,745.3	(\$119.7)	\$ 5,319.1
Comprehensive income:								
Net earnings						1,294.7		1,294.7
Other comprehensive income, net of tax:								
Net change on hedge derivatives and securities							(1.8)	(1.8)
Foreign currency translation							246.3	246.3
Amortization of losses and prior service costs							12.5	12.5
Minimum pension liability adjustment							39.4	39.4
Other comprehensive income							296.4	296.4
Total comprehensive income								1,591.1
Cash dividends declared (\$1.57 per share)						(529.7)		(529.7)
Stock compensation plans (includes income tax benefits of \$55.7)			121.0	6.5	261.6			382.6
Shares purchased				(23.9)	(1,384.6)			(1,384.6)
Retirement of treasury shares	(125.0)	(12.5)	(5,068.3)	125.0	5,080.8			
Shares issued under forward purchase contract			168.2	14.3	581.8			750.0
Unearned compensation related to restricted stock awards			(104.1)					(104.1)
Adoption of FIN 48			57.8			8.4		66.2
Capital appreciation paid to holders of						(8.0)		(8.0)



Series B-1 limited  
membership interests in  
General Mills Cereals,  
LLC (GMC)

Earned compensation			133.2					133.2
<b>Balance as of May 25, 2008</b>	377.3	37.7	1,149.1	(39.8)	(1,658.4)	6,510.7	176.7	6,215.8
Comprehensive income:								
Net earnings						945.6		945.6
Other comprehensive loss, net of tax:								
Net change on hedge derivatives and securities							31.5	31.5
Foreign currency translation							(531.2)	(531.2)
Amortization of losses and prior service costs							10.1	10.1
Other comprehensive loss							(489.6)	(489.6)
Total comprehensive income								456.0
Cash dividends declared (\$1.29 per share)						(437.8)		(437.8)
Stock compensation plans (includes income tax benefits of \$91.0)			40.6	9.2	416.0			456.6
Shares purchased				(18.9)	(1,232.5)			(1,232.5)
Shares issued for acquisition			16.4	0.9	38.6			55.0
Unearned compensation related to restricted stock awards			(74.5)					(74.5)
Earned compensation			98.5					98.5
<b>Balance as of Feb. 22, 2009</b>	377.3	\$ 37.7	\$ 1,230.1	(48.6)	(\$2,436.3)	\$ 7,018.5	(\$312.9)	\$ 5,537.1

See accompanying notes to consolidated financial statements.

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GENERAL MILLS, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited) (In Millions)

	<b>Nine-Month Period Ended</b>	
	<b>Feb. 22, 2009</b>	<b>Feb. 24, 2008</b>
Cash Flows - Operating Activities		
Net earnings	\$ 945.6	\$ 1,109.5
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	333.6	348.7
After-tax earnings from joint ventures	(79.7)	(79.7)
Stock-based compensation	98.5	109.6
Deferred income taxes	(19.6)	(28.0)
Tax benefit on exercised options	(91.0)	(28.3)
Distributions of earnings from joint ventures	29.9	50.1
Pension, other postretirement, and postemployment benefit costs	(45.2)	(20.7)
Divestiture (gain)	(128.8)	
Gain on insurance settlement	(41.3)	
Restructuring, impairment, and other exit costs	(1.6)	7.8
Changes in current assets and liabilities	139.8	(536.8)
Other, net	(10.3)	(18.3)
Net cash provided by operating activities	1,129.9	913.9
Cash Flows - Investing Activities		
Purchases of land, buildings, and equipment	(351.1)	(299.2)
Acquisitions		1.4
Investments in affiliates, net	(6.8)	5.3
Proceeds from disposal of land, buildings, and equipment	2.0	11.7
Proceeds from divestiture of product line	192.5	
Proceeds from insurance settlement	41.3	
Other, net	(34.2)	(13.2)
Net cash used by investing activities	(156.3)	(294.0)
Cash Flows - Financing Activities		
Change in notes payable	(775.7)	1,171.4
Issuance of long-term debt	1,850.0	700.0
Payment of long-term debt	(358.1)	(480.0)
Settlement of Lehman Brothers forward purchase contract		750.0
Repurchase of Series B-1 limited membership interests in GMC		(843.0)
Repurchase of General Mills Capital, Inc. preferred stock		(150.0)
Proceeds from sale of Class A limited membership interests in GMC		92.3
Proceeds from common stock issued on exercised options	286.6	111.5

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Tax benefit on exercised options	91.0	28.3
Purchases of common stock for treasury	(1,232.4)	(1,428.6)
Dividends paid	(437.8)	(395.0)
Other, net	(9.5)	(3.8)
Net cash used by financing activities	(585.9)	(446.9)
Effect of exchange rate changes on cash and cash equivalents	(111.4)	30.3
Increase in cash and cash equivalents	276.3	203.3
Cash and cash equivalents - beginning of year	661.0	417.1
Cash and cash equivalents - end of period	\$ 937.3	\$ 620.4
Cash Flow from Changes in Current Assets and Liabilities		
Receivables	\$ (130.4)	\$ (165.3)
Inventories	(61.5)	(442.9)
Prepaid expenses and other current assets	72.1	(48.7)
Accounts payable	(137.6)	6.7
Other current liabilities	397.2	113.4
Changes in current assets and liabilities	\$ 139.8	\$ (536.8)

See accompanying notes to consolidated financial statements.

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GENERAL MILLS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

**(1) Background**

The accompanying Consolidated Financial Statements of General Mills, Inc. (we, us, our, 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. Operating results for the quarterly and nine-month periods ended February 22, 2009, are not necessarily indicative of the results that may be expected for the fiscal year ending May 31, 2009. Fiscal 2009 consists of 53 weeks compared to 52 weeks in fiscal 2008. The additional week will be included in the fourth quarter of the year. 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 25, 2008. 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, except as discussed in Notes 6 and 18 to these Consolidated Financial Statements.

**(2) Acquisitions and Divestitures**

Subsequent to the end of the third quarter, we entered into an agreement to sell a portion of the assets of the frozen unbaked bread dough product line for our Bakeries and Foodservice segment. Certain assets being sold are shared with a frozen dinner roll product line for our U.S. Retail segment. Coincident with the sale, we will exit this product line. We expect the transaction to close during the fourth quarter of fiscal 2009. We expect to record a loss on this transaction of approximately \$32 million after-tax in the fourth quarter of fiscal 2009. We will present this transaction as a divestiture in our Consolidated Statements of Earnings.

During the second quarter of fiscal 2009, we sold our *Pop Secret* microwave popcorn product line for \$192.5 million in cash. The transaction was completed on September 15, 2008, and we recorded a pre-tax gain of \$128.8 million. We received cash proceeds of \$158.9 million after repayment of a lease obligation and transaction costs.

During the first quarter of fiscal 2009, we acquired Humm Foods, Inc. (Humm Foods), the maker of *Lärabar* fruit and nut energy bars. We issued 0.9 million shares of our common stock with a value of \$55.0 million to the shareholders of Humm Foods as consideration for the acquisition. We recorded the purchase price less tangible and intangible net assets acquired as goodwill of \$42.8 million. The pro forma effect of this acquisition was not material.

During the third quarter of fiscal 2008, the 8<sup>th</sup> Continent soymilk business was sold. Our 50 percent share of the after-tax gain on this sale was \$2.2 million. In the third quarter of fiscal 2008, we recognized \$1.7 million of this gain in after-tax earnings from joint ventures. We will record an additional after-tax gain of up to \$0.5 million in the first quarter of fiscal 2010 if certain conditions are satisfied.

During the first quarter of fiscal 2008, we acquired a controlling interest in HD Distributors (Thailand) Company Limited. Prior to acquiring the controlling interest, we accounted for our investment as a joint venture. The purchase price, net of cash acquired, resulted in a \$1.3 million cash inflow classified in acquisitions on the Consolidated Statements of Cash Flows. The pro forma effect of this acquisition was not material.

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

<b>In Millions</b>	<b>Quarter Ended</b>		<b>Nine-Month Period Ended</b>	
	<b>Feb. 22, 2009</b>	<b>Feb. 24, 2008</b>	<b>Feb. 22, 2009</b>	<b>Feb. 24, 2008</b>
Closure of Trenton, Ontario frozen dough plant	\$ 0.9	\$ 1.3	\$ 4.4	\$ 9.8
Restructuring of production scheduling and discontinuation of cake product line at Chanhassen, Minnesota plant			1.3	3.0
Closure of Poplar, Wisconsin plant	0.4		0.7	2.7
Closure of Allentown, Pennsylvania frozen waffle plant		0.7		10.8