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GENERAL MILLS INC
Form 10-Q/A
July 30, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED FEBRUARY 23, 2003

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: 1-1185

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 an accelerated filer (as
defined in Rule 12b-2 of the Exchange Act). Yes No

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As of March 21, 2003, General Mills had 369,563,558 shares of its \$.10 par value common stock outstanding (excluding 132,743,106 shares held in treasury).

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

GENERAL MILLS, INC.

CONSOLIDATED STATEMENTS OF EARNINGS

| | THIRTEEN WEEKS ENDED | | THIRTY-NINE WEEKS ENDED | |
|--|--------------------------------------|------------------|----------------------------|------------------|
| | FEB. 23, 2003 | FEB. 24, 2002 | FEB. 23, 2003 | FEB. 24, 2002 |
| | (UNAUDITED) | | | |
| | (IN MILLIONS, EXCEPT PER SHARE DATA) | | | |
| Net Sales..... | \$2,645 | \$2,379 | \$7,960 | \$5,960 |
| Costs and Expenses: | | | | |
| Cost of sales..... | 1,567 | 1,467 | 4,627 | 3,967 |
| Selling, general and administrative..... | 592 | 654 | 1,861 | 1,861 |
| Interest, net..... | 135 | 146 | 417 | 417 |
| Restructuring and other exit costs..... | 1 | -- | 58 | -- |
| | 2,295 | 2,267 | 6,963 | 5,245 |
| Earnings before Taxes and Earnings from Joint Ventures..... | 350 | 112 | 997 | 112 |
| Income Taxes..... | 123 | 38 | 349 | 349 |
| Earnings from Joint Ventures..... | 13 | 8 | 44 | -- |
| | 240 | 82 | 692 | -- |
| Earnings before cumulative effect of change in accounting principle..... | 240 | 82 | 692 | -- |
| Cumulative effect of change in accounting principle..... | -- | -- | -- | -- |
| Net Earnings..... | \$ 240 | \$ 82 | \$ 692 | \$ -- |
| | ===== | ===== | ===== | ===== |
| Earnings per Share -- Basic | | | | |
| Earnings before cumulative effect of change in accounting principle..... | \$.65 | \$.23 | \$ 1.88 | \$ -- |
| Cumulative effect of change in accounting principle..... | -- | -- | -- | -- |
| | \$.65 | \$.23 | \$ 1.88 | \$ -- |
| | ===== | ===== | ===== | ===== |
| Average Number of Common Shares..... | 369 | 366 | 368 | 368 |
| | ===== | ===== | ===== | ===== |
| Earnings per Share -- Diluted | | | | |
| Earnings before cumulative effect of change in accounting principle..... | \$.63 | \$.22 | \$ 1.84 | \$ -- |
| Cumulative effect of change in accounting principle..... | -- | -- | -- | -- |
| | \$.63 | \$.22 | \$ 1.84 | \$ -- |
| | ===== | ===== | ===== | ===== |

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| | | | | |
|---|---------|---------|---------|-------|
| Average Number of Common Shares -- Assuming Dilution..... | 379 | 378 | 377 | |
| | ===== | ===== | ===== | ===== |
| Dividends per Share..... | \$.275 | \$.275 | \$.825 | \$ |
| | ===== | ===== | ===== | ===== |

See accompanying notes to consolidated condensed financial statements.

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GENERAL MILLS, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

| | FEBRUARY 23, 2003 | FEBRUARY 24, 2002 | MAY 2 2002 |
|--|----------------------|----------------------|---------------|
| | (UNAUDITED) | (UNAUDITED) | |
| | (IN MILLIONS) | | |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents..... | \$ 1,202 | \$ 1,323 | \$ 9 |
| Receivables..... | 1,111 | 1,141 | 1,0 |
| Inventories: | | | |
| Valued primarily at FIFO..... | 365 | 398 | 3 |
| Valued at LIFO (FIFO value exceeds LIFO by \$36, \$30 and \$31, respectively)..... | 721 | 645 | 7 |
| Prepaid expenses and other current assets..... | 161 | 195 | 1 |
| Deferred income taxes..... | 280 | 62 | 2 |
| | ----- | ----- | ----- |
| Total Current Assets..... | 3,840 | 3,764 | 3,4 |
| | ----- | ----- | ----- |
| Land, Buildings and Equipment, at Cost..... | 4,749 | 4,511 | 4,6 |
| Less accumulated depreciation..... | (1,940) | (1,830) | (1,8 |
| | ----- | ----- | ----- |
| Net Land, Buildings and Equipment..... | 2,809 | 2,681 | 2,7 |
| Goodwill..... | 6,372 | 8,572 | 8,4 |
| Other Intangible Assets..... | 3,612 | 86 | |
| Other Assets..... | 1,929 | 1,735 | 1,7 |
| | ----- | ----- | ----- |
| Total Assets..... | \$18,562 | \$16,838 | \$16,5 |
| | ===== | ===== | ===== |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities: | | | |
| Accounts payable..... | \$ 1,286 | \$ 1,202 | \$ 1,2 |
| Current portion of long-term debt..... | 120 | 611 | 2 |
| Notes payable..... | 1,746 | 3,648 | 3,6 |
| Other current liabilities..... | 804 | 781 | 6 |
| | ----- | ----- | ----- |
| Total Current Liabilities..... | 3,956 | 6,242 | 5,7 |
| Long-term Debt..... | 7,473 | 5,591 | 5,5 |
| Deferred Income Taxes..... | 1,648 | 310 | 3 |
| Deferred Income Taxes -- Tax Leases..... | 69 | 72 | |
| Other Liabilities..... | 1,104 | 1,076 | 1,0 |
| | ----- | ----- | ----- |
| Total Liabilities..... | 14,250 | 13,291 | 12,8 |
| | ----- | ----- | ----- |
| Minority Interest..... | 300 | 5 | 1 |

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| | | | |
|--|----------|----------|--------|
| Stockholders' Equity: | | | |
| Cumulative preference stock, none issued..... | -- | -- | |
| Common stock, 502 shares issued..... | 5,676 | 5,727 | 5,7 |
| Retained earnings..... | 2,956 | 2,612 | 2,5 |
| Less common stock in treasury, at cost, shares of 133, 137 and 135, respectively..... | (4,232) | (4,322) | (4,2 |
| Unearned compensation..... | (49) | (66) | (|
| Accumulated other comprehensive income..... | (339) | (409) | (3 |
| | ----- | ----- | ----- |
| Total Stockholders' Equity..... | 4,012 | 3,542 | 3,5 |
| | ----- | ----- | ----- |
| Total Liabilities and Equity..... | \$18,562 | \$16,838 | \$16,5 |
| | ===== | ===== | ===== |

See accompanying notes to consolidated condensed financial statements.

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GENERAL MILLS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

| | THIRTY-NINE WEEKS ENDED | |
|--|-------------------------|----------------------|
| | FEBRUARY 23, 2003 | FEBRUARY 24, 2002 |
| | (UNAUDITED) | |
| | (IN MILLIONS) | |
| Cash Flows -- Operating Activities: | | |
| Net earnings..... | \$ 692 | \$ 401 |
| Adjustments to reconcile net earnings to cash flow: | | |
| Depreciation and amortization..... | 270 | 204 |
| Deferred income taxes..... | 14 | 17 |
| Changes in current assets and liabilities excluding effects from businesses acquired..... | 82 | (89) |
| Tax benefit on exercised options..... | 15 | 35 |
| Cumulative effect of change in accounting principle.... | -- | 3 |
| Pension and other postretirement activity..... | (63) | (70) |
| Restructuring and other exit costs..... | 58 | 108 |
| Other, net..... | (34) | (3) |
| | ----- | ----- |
| Cash provided by continuing operations..... | 1,034 | 606 |
| Cash used by discontinued operations..... | (2) | (2) |
| | ----- | ----- |
| Net Cash Provided by Operating Activities..... | 1,032 | 604 |
| | ----- | ----- |
| Cash Flows -- Investment Activities: | | |
| Purchases of land, buildings and equipment..... | (387) | (296) |
| Investments in businesses, intangibles and affiliates, net of investment returns and dividends..... | (71) | (3,639) |
| Purchases of marketable securities..... | (61) | (37) |
| Proceeds from sale of marketable securities..... | 57 | 50 |
| Proceeds from disposal of land, buildings & equipment.... | 1 | 19 |
| Proceeds from disposition of businesses..... | -- | 939 |
| Other, net..... | (47) | (30) |
| | ----- | ----- |

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| | | |
|---|---------|----------|
| Net Cash Used by Investment Activities..... | (508) | (2,994) |
| | ----- | ----- |
| Cash Flows -- Financing Activities: | | |
| Change in notes payable..... | (1,857) | 2,791 |
| Issuance of long-term debt..... | 2,039 | 3,491 |
| Payment of long-term debt..... | (294) | (86) |
| Proceeds from minority investors, net..... | 147 | -- |
| Common stock issued..... | 75 | 108 |
| Purchases of common stock for treasury..... | (25) | (2,425) |
| Dividends paid..... | (304) | (257) |
| Other, net..... | (78) | 27 |
| | ----- | ----- |
| Net Cash (Used) Provided by Financing Activities..... | (297) | 3,649 |
| | ----- | ----- |
| Increase in Cash and Cash Equivalents..... | \$ 227 | \$ 1,259 |
| | ===== | ===== |
| Cash Flows from Changes in Current Assets and Liabilities, Excluding Effects from Businesses Acquired: | | |
| Receivables..... | (108) | 140 |
| Inventories..... | (26) | (12) |
| Prepaid expenses and other current assets..... | (5) | 22 |
| Accounts payable..... | 59 | (157) |
| Other current liabilities..... | 162 | (82) |
| | ----- | ----- |
| Changes in Current Assets and Liabilities..... | \$ 82 | \$ (89) |
| | ===== | ===== |

See accompanying notes to consolidated condensed financial statements.

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GENERAL MILLS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(1) BACKGROUND

The accompanying consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles 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 thirty-nine weeks ended February 23, 2003 are not necessarily indicative of the results that may be expected for the fiscal year ending May 25, 2003.

These statements should be read in conjunction with the consolidated financial statements and footnotes included in our annual report for the year ended May 26, 2002. The accounting policies used in preparing these consolidated condensed financial statements are the same as those described in Note One of our annual report, except as described in Note 10, "Accounting Rules Adopted."

Certain amounts in prior-period consolidated condensed financial statements have been reclassified to conform with current period classifications. Cost of sales has been decreased and selling, general and administrative expense has been increased by \$37 million, \$57 million, \$14 million, \$19 million, \$31 million and \$45 million for quarters one and two of fiscal year 2003 and

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quarters one, two, three and four of fiscal year 2002, respectively. This reclassification was made to more appropriately categorize various expenses that are not clearly associated with production activity.

(2) ACQUISITION

On October 31, 2001, we acquired the worldwide Pillsbury operations from Diageo plc (Diageo). The total acquisition consideration (exclusive of direct acquisition costs) was approximately \$9,724 million. Under terms of the agreement, Diageo holds contingent value rights that may require payment to Diageo on April 30, 2003, of up to \$395 million, depending on the General Mills stock price and the number of General Mills shares that Diageo continues to hold on that date. If the General Mills stock price averages less than \$49 per share for the 20 trading days prior to that date, Diageo will receive an amount per share equal to the difference between \$49 and the General Mills stock trading price, up to a maximum of \$5 per share.

The allocation of the purchase price was completed in the second quarter of fiscal 2003. Intangible assets included in the final allocation of the purchase price were acquired brands totaling \$3.5 billion and goodwill of \$5.6 billion. Deferred income taxes of \$1.3 billion, associated with the brand intangibles, also were recorded.

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GENERAL MILLS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)

Presented below is a condensed balance sheet disclosing the final purchase price allocation with the amounts assigned to major asset and liability captions of the acquired Pillsbury business at the date of acquisition (in millions):

| | |
|--|----------|
| Current Assets..... | \$ 1,245 |
| Land, Buildings and Equipment..... | 1,002 |
| Investments and Assets to be sold..... | 1,006 |
| Other Non-current Assets..... | 263 |
| Brand Intangibles..... | 3,516 |
| Goodwill..... | 5,565 |
| | ----- |
| Total Assets..... | 12,597 |
| | ----- |
| Current Liabilities..... | (1,294) |
| Deferred Income Taxes..... | (1,123) |
| Other Non-current Liabilities..... | (456) |
| | ----- |
| Total Liabilities..... | (2,873) |
| | ----- |
| Purchase Consideration..... | \$ 9,724 |
| | ===== |

In the course of completing the purchase price allocation during the first six months of fiscal 2003, adjustments were made as management finalized plans to exit certain Pillsbury facilities as part of consolidating manufacturing, warehouse and distribution activities into fewer locations. In the first quarter, we announced that we would close the Hillsdale, Michigan plant which produced dry mix products and flour for our Bakeries and Foodservice business. The production capacity for the dry mix product lines will be absorbed within

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other facilities throughout the General Mills supply chain, while the flour mill business will be sold. A total of 119 employees were affected by the closure. In the second quarter, we announced plans to close plants in Eden Prairie, Minnesota; St. Louis, Missouri; Lithonia, Georgia; and Denison, Texas. The Eden Prairie plant, which is planned to close in the fall of 2003, employs 323 people and produces frozen breakfast products for the Company's Bakeries and Foodservice segment. The St. Louis plant, which is planned to close in the fall of 2003, employs 421 people and produces frozen bakery goods for the Company's Bakeries and Foodservice segment. The Lithonia plant, which is planned to close in the spring of 2003, employs 215 people and produces refrigerated dough products for the Company's U.S. Retail segment. The Denison plant, which is planned to close in the spring of 2003, employs 243 people and produces refrigerated dough products for the Company's U.S. Retail segment. Our exit costs connected to these plant closures amount to \$44 million and have been included in the purchase price allocation of Pillsbury, along with \$72 million of fair value adjustments to fixed assets.

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GENERAL MILLS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)

Actual results of acquired business operations are included in the consolidated statement of earnings for the period from November 1, 2001. The following unaudited pro forma information for the prior year's first nine months summarizes our consolidated results of operations and the acquired Pillsbury operations as if the acquisition had occurred at the beginning of fiscal 2002.

| | 39 WEEKS ENDED FEB. 24, 2002 ----- (IN MILLIONS, EXCEPT PER SHARE DATA) |
|---|--|
| Net Sales..... | \$7,613 |
| Earnings before cumulative effect of change in accounting principle..... | 438 |
| Net earnings..... | 435 |
| Earnings per Share -- Basic | |
| EPS before cumulative effect of change in accounting principle..... | 1.20 |
| Net EPS -- Basic..... | 1.19 |
| Earnings Per Share -- Diluted | |
| EPS before cumulative effect of change in accounting principle..... | 1.17 |
| Net EPS -- Diluted..... | 1.16 |

These unaudited pro forma results have been prepared for comparative purposes only and include certain adjustments, such as increased interest expense on acquisition debt. They do not reflect the effect of synergies that would have been expected to result from the integration of the Pillsbury businesses. The pro forma information does not purport to be indicative of the results of operations that actually would have resulted had the combination occurred at the beginning of fiscal 2002, or of future results of the

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consolidated entities.

(3) RESTRUCTURING AND OTHER EXIT COSTS

In the third quarter of fiscal 2003, we recorded restructuring and other exit costs of \$1 million pretax, \$1 million after tax, representing expenses related to exiting certain grain elevator facilities.

For the nine months ended February 23, 2003, restructuring and other exit costs totaled \$58 million pretax, \$38 million after tax, representing \$41 million pretax charges associated with the closure of our St. Charles, Illinois, plant, and \$17 million of expenses primarily related to exiting production at former Pillsbury facilities being closed. These costs were incurred pursuant to integration plans established in the first year following the acquisition date.

For the nine months ended last fiscal year, restructuring and other exit costs totaled \$108 million pretax expenses, \$68 million after tax, representing \$87 million pretax of charges related to the reconfiguration of cereal production to obtain regulatory clearance for the Pillsbury acquisition, \$17 million pretax of severance costs related to sales organization and headquarter department realignment and \$4 million pretax of Squeezit beverage business exit charges.

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GENERAL MILLS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)

(4) GOODWILL AND INTANGIBLE ASSETS

The components of goodwill and intangible assets are as follows:

| | FEB. 23, 2003 | MAY 26, 2002 |
|--|------------------|-----------------|
| | ----- | ----- |
| | (IN MILLIONS) | |
| Total goodwill..... | \$6,458 | \$8,559 |
| Less accumulated amortization..... | (86) | (86) |
| | ----- | ----- |
| Goodwill..... | \$6,372 | \$8,473 |
| | ===== | ===== |
| Intangible Assets: | | |
| Subject to amortization, primarily capitalized software..... | \$ 147 | \$ 129 |
| Less accumulated amortization..... | (51) | (39) |
| | ----- | ----- |
| | \$ 96 | \$ 90 |

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| | | |
|--|---------|-------|
| Not subject to amortization, brands..... | ===== | ===== |
| | \$3,516 | \$ -- |
| | ===== | ===== |

The changes in the carrying amount of goodwill for the nine months ended February 23, 2003, are as follows:

| | U.S. RETAIL | BAKERIES & FOOD-SERVICE | INTERNATIONAL | CORPORATE | PILLSBURY UNALLOCATED EXCESS PURCHASE PRICE |
|-------------------------------|----------------|----------------------------|---------------|-----------|---|
| | ----- | ----- | ----- | ----- | ----- |
| | (IN MILLIONS) | | | | |
| Balance at May 26, 2002..... | \$ 745 | \$ 59 | \$ -- | \$ -- | \$ 7,669 |
| Activity including | | | | | |
| translation..... | -- | -- | 3 | -- | (2,104) |
| Allocation to segments..... | 4,088 | 1,097 | 380 | -- | (5,565) |
| | ----- | ----- | ----- | ----- | ----- |
| Balance at Feb. 23, 2003..... | \$4,833 | \$1,156 | \$383 | \$ -- | \$ -- |
| | ===== | ===== | ===== | ===== | ===== |

The Pillsbury acquisition valuation and purchase price allocation was completed in the second quarter of fiscal 2003. The activity in the first nine months of fiscal 2003 primarily reflects the allocation of the purchase price to brand intangibles, net of tax (see Note 2, "Acquisition").

(5) DEBT

On September 18, 2002, we began a new medium-term note program under our existing shelf registration statement for the sale to individual investors of up to \$750 million of fixed-rate notes with maturities of nine months or more ("Core Notes"). As of February 23, 2003, we had issued approximately \$67 million of notes under the Core Notes program.

On November 20, 2002, we sold \$350 million of 3 7/8% fixed-rate notes due November 30, 2007. Concurrent with that offering, we sold \$135 million of 3.901% fixed-rate notes due November 30, 2007. Interest for both the 3 7/8% notes and the 3.901% notes is payable semiannually on May 30 and November 30, beginning May 30, 2003. After giving effect to the issuance of these notes and the sale of notes under the Core Notes program, approximately \$4.0 billion remains available under our existing shelf registration statement for future use, which includes the unused portion of the Core Notes program.

On October 28, 2002, we completed a private placement of zero coupon convertible debentures with a face value of approximately \$2.23 billion for gross proceeds of approximately \$1.50 billion. The issue price of the debentures was \$671.65 for each \$1,000 in face value, which represents a yield to maturity of 2.00%.

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)

The debentures cannot be called by General Mills for three years after issuance and will mature in 20 years. Holders of the debentures can require the Company to repurchase the notes on the third, fifth, tenth and fifteenth anniversaries of the issuance. We have the option to pay the repurchase price in cash or in stock. The debentures are convertible into General Mills common stock at a rate of 13.0259 shares for each \$1,000 debenture. This results in an initial conversion price of approximately \$51.56 per share and represents a premium of 25% over the closing sale price of \$41.25 per share on October 22, 2002. The conversion price will increase with the accretion of the original issue discount on the debentures. Generally, except upon the occurrence of specified events, holders of the debentures are not entitled to exercise their conversion rights until the Company's stock price is greater than a specified percentage (beginning at 125% and declining by 0.25% each six months) of the accreted conversion price per share.

In order to offset any dilution to General Mills' shareholders from future conversion of the debentures, the Company has purchased call options from Diageo plc on approximately 29 million shares that Diageo currently owns. The premiums paid for the call options totaled approximately \$89 million. The options are exercisable in whole or in part from time to time, subject to certain limitations, during a three-year period from the date of the sale of the debentures.

A summary of our short and long-term debt is as follows (in millions):

| | FEB. 23, 2003 | MAY 26, 2002 |
|--|------------------|-----------------|
| | ----- | ----- |
| Short-term Notes Payable..... | \$ 2,796 | \$ 4,650 |
| Portion reclassified to long-term debt..... | (1,050) | (1,050) |
| | ----- | ----- |
| Total Notes Payable..... | \$ 1,746 | \$ 3,600 |
| | ===== | ===== |
| Long-term Debt: | | |
| 6% notes due 2012..... | \$ 2,000 | \$ 2,000 |
| 5 1/8% notes due 2007..... | 1,500 | 1,500 |
| Zero coupon convertible debentures, yield 2.0%, \$2,233 due 2022..... | 1,510 | -- |
| 3 7/8% notes due 2007..... | 350 | -- |
| 3.901% notes due 2007..... | 135 | -- |
| Medium-term notes, 4.8% to 9.1% due 2003 to 2078..... | 630 | 922 |
| Core Notes..... | 67 | -- |
| 7.0% notes due 2004..... | 150 | 150 |
| Zero coupon notes, yield 11.1%, \$261 due 2013..... | 85 | 78 |
| Zero coupon notes, yield 11.7%, \$54 due 2004..... | 46 | 42 |
| 8.2% ESOP loan guarantee, due through 2007..... | 17 | 21 |
| Notes payable, reclassified..... | 1,050 | 1,050 |
| Other..... | 53 | 76 |
| | ----- | ----- |
| | 7,593 | 5,839 |
| Less amounts due within one year..... | (120) | (248) |
| | ----- | ----- |
| Total Long-term Debt..... | \$ 7,473 | \$ 5,591 |
| | ===== | ===== |

(6) MINORITY INTEREST

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In the first quarter of 2003, General Mills Capital, Inc. (GM Capital), a wholly owned subsidiary, sold \$150 million of its Series A preferred stock to an unrelated third-party investor. GM Capital regularly enters into transactions with the Company to purchase receivables of the Company. These receivables are

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GENERAL MILLS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)

included in the consolidated balance sheet of the Company and the \$150 million purchase price for the Series A preferred stock is included in minority interest on the balance sheet. The proceeds from the issuance of the preferred stock were used to reduce short-term debt.

(7) COMPREHENSIVE INCOME

The following table summarizes total comprehensive income for the periods presented:

| | THIRTEEN WEEKS ENDED FEBRUARY 23, 2003 | | | THIRTEEN WEEKS ENDED FEBRUARY 24, 2002 | | |
|------------------------------------|---|-------|-------|---|-------|---------|
| | PRETAX | TAX | NET | PRETAX | TAX | NET |
| | (IN MILLIONS) | | | | | |
| Net Earnings..... | \$ | \$ | \$240 | \$ | \$ | \$ 82 |
| Other Comprehensive Income (Loss): | | | | | | |
| Foreign currency translation | | | | | | |
| adjustments..... | 32 | -- | 32 | (20) | 1 | (19) |
| Other Fair Value Changes: | | | | | | |
| Securities..... | 6 | (2) | 4 | 1 | (1) | -- |
| Hedge derivatives..... | (8) | 2 | (6) | (92) | 34 | (58) |
| Reclassification to earnings: | | | | | | |
| Securities..... | (7) | 3 | (4) | (9) | 3 | (6) |
| Hedge derivatives..... | 16 | (5) | 11 | 70 | (26) | 44 |
| | \$39 | \$(2) | \$ 37 | \$ (50) | \$ 11 | \$ (39) |
| Comprehensive Income..... | | | \$277 | | | \$ 43 |

| | THIRTY-NINE WEEKS ENDED FEBRUARY 23, 2003 | | | THIRTY-NINE WEEKS ENDED FEBRUARY 24, 2002 | | |
|------------------------------------|--|-----|-------|--|-----|--------|
| | PRETAX | TAX | NET | PRETAX | TAX | NET |
| | (IN MILLIONS) | | | | | |
| Net Earnings..... | \$ | \$ | \$692 | \$ | \$ | \$ 401 |
| Other Comprehensive Income (Loss): | | | | | | |
| Foreign currency translation | | | | | | |

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| | | | | | | |
|---|-------|-------|--------|----------|--------|----------|
| adjustments..... | 54 | -- | 54 | (15) | 1 | (14) |
| Other Fair Value Changes: | | | | | | |
| Securities..... | 13 | (5) | 8 | 3 | (1) | 2 |
| Hedge derivatives..... | (157) | 58 | (99) | (324) | 120 | (204) |
| Reclassification to earnings: | | | | | | |
| Securities..... | (13) | 5 | (8) | (9) | 3 | (6) |
| Hedge derivatives..... | 129 | (47) | 82 | 102 | (38) | 64 |
| Cumulative effect of adopting SFAS No. 133..... | -- | -- | -- | (251) | 93 | (158) |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| | \$ 26 | \$ 11 | \$ 37 | \$ (494) | \$ 178 | \$ (316) |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Comprehensive Income..... | | | \$ 729 | | | \$ 85 |
| | | | ===== | | | ===== |

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GENERAL MILLS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)

Accumulated other comprehensive income (loss) balances were as follows (in millions):

| | FEB. 23, 2003 | FEB. 24, 2002 | MAY 26, 2002 |
|---|------------------|------------------|-----------------|
| | ----- | ----- | ----- |
| Foreign currency translation adjustments..... | \$ (59) | \$ (123) | \$ (113) |
| Unrealized gain (loss) from: | | | |
| Securities..... | 16 | 23 | 16 |
| Hedge derivatives..... | (289) | (298) | (272) |
| Pension plan minimum liability..... | (7) | (11) | (7) |
| | ----- | ----- | ----- |
| Accumulated other comprehensive income..... | \$ (339) | \$ (409) | \$ (376) |
| | ===== | ===== | ===== |

The changes in other comprehensive income are primarily non-cash items.

(8) STATEMENTS OF CASH FLOWS

During the first nine months of fiscal 2003, we made interest payments of \$420 million (net of amounts capitalized), versus \$217 million last year. In the first nine months of fiscal 2003, we made tax payments of \$91 million and received a \$109 million refund of fiscal 2002 tax overpayments. In the corresponding period of fiscal 2002, we made tax payments of \$192 million.

In addition, we had a large non-cash transaction in the second quarter of last year, when we issued 134 million common shares of General Mills to Diageo plc for the acquisition of Pillsbury.

(9) OPERATING SEGMENTS

We operate exclusively in the consumer foods industry, with multiple operating segments organized generally by product categories.

We have aggregated our operating segments into three reportable segments:

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1) U.S. Retail; 2) Bakeries and Foodservice; and 3) International. U.S. Retail consists of cereals, meals, refrigerated and frozen dough products, baking products, snacks, yogurt and other. Our Bakeries and Foodservice segment consists of products marketed to bakeries and offered to the commercial and non-commercial foodservice sectors throughout the United States and Canada. The International segment is comprised of retail markets outside the United States and foodservice markets outside of the United States and Canada. At the beginning of fiscal 2003, the Lloyd's foodservice and the bakery flour businesses were realigned from the U.S. Retail segment to the Bakeries and Foodservice segment. All prior year amounts are restated.

Management reviews operating results to evaluate segment performance. Operating profit for the reportable segments excludes general corporate items, and restructuring and other exit costs. Interest expense and income taxes are centrally managed at the corporate level and, therefore, are not allocated to segments since they are excluded from the measure of segment profitability reviewed by the Company's management. Under our supply chain organization, our manufacturing, warehouse, distribution and sales activities are substantially integrated across our operations in order to maximize efficiency and productivity. As a result, fixed assets, capital expenditures, and depreciation and amortization expenses are not maintained nor available by operating segments.

The measurement of operating segment results is consistent with the presentation of the Consolidated Statements of Earnings. Intercompany transactions between reportable operating segments were not material in the periods presented.

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GENERAL MILLS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)

OPERATING SEGMENTS

| | THIRTEEN WEEKS ENDED | | THIRTY-NINE WEEKS ENDED | |
|-------------------------------|-------------------------|------------------|----------------------------|------------------|
| | FEB. 23, 2003 | FEB. 24, 2002 | FEB. 23, 2003 | FEB. 24, 2002 |
| | (IN MILLIONS) | | | |
| Net Sales: | | | | |
| U.S. Retail..... | \$1,910 | \$1,679 | \$5,665 | \$4,371 |
| Bakeries and Foodservice..... | 419 | 398 | 1,340 | 793 |
| International..... | 316 | 302 | 955 | 461 |
| | ----- | ----- | ----- | ----- |
| Total..... | \$2,645 | \$2,379 | \$7,960 | \$5,625 |
| | ===== | ===== | ===== | ===== |
| Operating Profit: | | | | |
| U.S. Retail..... | \$ 450 | \$ 234 | \$1,305 | \$ 887 |
| Bakeries and Foodservice..... | 28 | 38 | 132 | 102 |
| International..... | 22 | 12 | 65 | 21 |
| | ----- | ----- | ----- | ----- |
| Total..... | 500 | 284 | 1,502 | 1,010 |

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| | | | | |
|--|--------|-------|--------|--------|
| Unallocated corporate income (expense)..... | (14) | (26) | (30) | (40) |
| Restructuring and other exit costs..... | (1) | -- | (58) | (108) |
| Interest, net..... | (135) | (146) | (417) | (264) |
| | ----- | ----- | ----- | ----- |
| Earnings before taxes and earnings from | | | | |
| Joint Ventures..... | 350 | 112 | 997 | 598 |
| Income Taxes..... | 123 | 38 | 349 | 214 |
| Earnings from Joint Ventures..... | 13 | 8 | 44 | 20 |
| | ----- | ----- | ----- | ----- |
| Earnings before cumulative effect of change in | | | | |
| accounting principle..... | 240 | 82 | 692 | 404 |
| Cumulative effect of change in accounting | | | | |
| principle..... | -- | -- | -- | (3) |
| | ----- | ----- | ----- | ----- |
| Net Earnings..... | \$ 240 | \$ 82 | \$ 692 | \$ 401 |
| | ===== | ===== | ===== | ===== |

(10) ACCOUNTING RULES ADOPTED

Effective the first quarter of fiscal 2003, we adopted Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The adoption of SFAS No. 144 did not have a material impact on the Company's financial statements.

In November 2002, the Financial Accounting Standard Board (FASB) issued FASB Interpretation Number 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees of Indebtedness of Others." FIN 45 elaborates on the disclosure requirements of guarantees, as well as requiring the recording of certain guarantees issued after December 31, 2002. We do not believe that the adoption of FIN 45 requires any material change in our guarantee disclosures. (See Note Seventeen in our annual report for fiscal year ended May 26, 2002.) We have not entered into any recordable guarantees since December 31, 2002.

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GENERAL MILLS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)

Effective the first quarter of fiscal 2002, we adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", which requires all derivatives to be recorded at fair value on the balance sheet and establishes new accounting rules for hedging. At May 28, 2001, we recorded the cumulative effect of adopting this accounting change, as follows:

| | INCLUDED IN EARNINGS | INCLUDED IN ACCUMULATED OTHER COMPREHENSIVE INCOME |
|-------------------------|---|---|
| | ----- | ----- |
| | (IN MILLIONS, EXCEPT PER SHARE DATA) | |
| Pretax..... | \$ (5) | \$ (251) |
| Income tax effects..... | 2 | 93 |
| | ----- | ----- |

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| | | |
|---|----------|----------|
| Total..... | \$ (3) | \$ (158) |
| | ===== | ===== |
| Effect on diluted earnings per share..... | \$ (.01) | |
| | ===== | |

The cumulative effect on earnings and on Accumulated Other Comprehensive Income was primarily associated with the impact of lower interest rates on the fair-value calculation for the forward-starting interest rate swaps we entered into in anticipation of our Pillsbury acquisition and other financing requirements.

Effective the fourth quarter of fiscal 2002, we adopted the Financial Accounting Standard Board's (FASB's) Emerging Issues Task Force (EITF) Issue 01-09, "Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products", which requires recording certain coupon and trade promotion expenses as reductions of revenues. Since adopting this requirement resulted only in the reclassification of certain expenses from selling, general and administrative expense to a reduction of net sales, it did not affect our financial position or net earnings. The impact was a reduction of net sales, and a corresponding reduction in selling, general and administrative expense, of \$726 million in the third quarter of 2002, and \$1,593 million for the first nine months of fiscal 2002.

(11) NEW ACCOUNTING RULES

In July 2002, the Financial Accounting Standards Board (FASB) issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS No. 146). SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The adoption of this Standard may affect the timing of the recognition of future exit or disposal costs. However, we do not expect the impact to be material.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

During the first nine months of fiscal 2003, cash flow from continuing operations totaled \$1,034 million, up \$428 million from last year's first nine months amount of \$606 million. The increase was due largely to the \$307 million improvement in earnings before depreciation, amortization and restructuring and other exit costs, and a \$171 million decrease in use of working capital.

During the first nine months of fiscal 2003, capital investment totaled \$418 million. Fiscal 2003 capital investment is estimated to be approximately \$750 million, including construction costs to consolidate the Company's headquarters and costs of integrating Pillsbury into the Company's information systems.

At the end of the first nine months, we had adjusted debt plus minority interests of approximately \$9.0 billion, essentially the same as at the end of fiscal 2002. Adjusted debt equals total debt (consisting of notes payable of

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\$1.746 billion and total long-term debt of \$7.593 billion) plus the debt equivalent of leases minus certain cash and cash equivalents and marketable investments, at cost. Approximately 75 percent of our debt was long term, 18 percent was short term (excluding the impact of reclassification from our long-term credit facility), and the balance was leases and tax-benefit leases. This reflects refinancing of approximately \$5.9 billion in commercial paper with longer-term debt and minority interest since February 2002. Approximately \$2.2 billion of this refinancing occurred during the first nine months of fiscal 2003.

During fiscal 2002, General Mills filed a shelf registration statement with the Securities and Exchange Commission covering the sale of up to \$8.0 billion in debt securities. As of February 23, 2003, approximately \$4 billion remained available under the shelf registration statement for future debt issuance, which includes the unused portion of the Core Notes program.

On September 18, 2002, we began a new medium-term note program for the sale to individual investors of up to \$750 million of notes with maturities of nine months or more. As of February 23, 2003, we had issued approximately \$67 million of Core Notes under the program.

On October 28, 2002, we completed a private placement of zero coupon convertible debentures with a face value of approximately \$2.23 billion for gross proceeds of approximately \$1.50 billion.

On November 20, 2002, we sold \$350 million of 3 7/8% fixed-rate notes due November 30, 2007, and \$135 million of 3.901% fixed-rate notes due November 30, 2007.

Commercial paper is a continuing source of short-term financing. We can issue commercial paper in the United States and Canada, as well as in Europe. Our commercial paper borrowings are supported by \$2.1 billion in fee-paid committed credit lines. As part of our core facilities we have \$1.05 billion in 364-day facilities that expire in January 2004, and \$1.05 billion in five-year facilities that expire in January 2006. As of February 23, 2003, the Company had no outstanding borrowings under these facilities. Additionally, we have \$27 million in uncommitted credit lines available.

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.

As of February 23, 2003, we have recorded approximately \$300 million of minority interest on our balance sheet. In May 2002, we sold a minority interest in a subsidiary to an unrelated third-party investor for \$150 million. This subsidiary holds some of our manufacturing assets and trademarks. In the first quarter of 2003, we sold a minority interest in another subsidiary for \$150 million, as described in Note 6 "Minority Interest." We did not recognize any gain or loss in connection with the issuance of the minority interests. All assets, liabilities and results of operations of these subsidiaries are reflected in our financial statements, and the third party's investment is reflected as minority interest on our balance sheet.

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RESULTS OF OPERATIONS

THREE-MONTH RESULTS

Net sales for the thirteen weeks ended February 23, 2003 grew 11 percent to

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\$2.645 billion. Cost of goods sold as a percent of sales improved from 61.7 percent to 59.2 percent as higher volumes increased our operating leverage. Operating leverage is defined as increased absorption of fixed operating costs as a result of higher volume levels. Selling, general and administrative expense as a percent of sales in the quarter improved from 27.5 percent last year to 22.4 percent this year, driven by a 9 percent reduction in selling, general and administrative expenses, and the benefit from the 11 percent increase in net sales.

Reported earnings were \$240 million in the third quarter of fiscal 2003 as compared to \$82 million last year. Basic earnings per share of 65 cents for the third quarter ended February 23, 2003, were up 183 percent from 23 cents a year earlier. Diluted earnings per share of 63 cents for the third quarter of fiscal 2003 were up 186 percent from 22 cents per share earned in the same period last year.

Third quarter results for fiscal 2003 included restructuring and other exit costs. We exclude these items from cost of goods sold or selling, general and administrative expense as we believe their inclusion therein would inappropriately affect the period-to-period comparability of those accounts. In fiscal 2003, we recorded restructuring and other exit costs of \$1 million pretax, \$1 million after tax, related to exiting certain grain elevator facilities.

Third quarter selling, general and administrative expense for both fiscal 2003 and 2002 included items which are associated with infrequently occurring events. In fiscal 2003, merger-related costs of \$21 million pretax, \$14 million after tax, represent costs for the execution of the integration of Pillsbury, including consulting, system conversions, and other expenses. In last year's third quarter, we recorded merger-related costs totaling \$9 million pretax expense, \$6 million after-tax, for costs associated with the execution of the integration of Pillsbury. We also recorded \$30 million expense for a special contribution to the General Mills Foundation to increase its post-acquisition net assets to a level consistent with the guidelines of the Foundation.

NINE-MONTH RESULTS

Total worldwide volume in the first nine months grew 3 percent on a comparable basis, as if General Mills had owned the Pillsbury businesses in the previous year. Reported net sales for the thirty-nine weeks ended February 23, 2003 grew 42 percent to \$7.96 billion, including the incremental contribution of Pillsbury businesses acquired October 31, 2001. Cost of goods sold for nine months increased from 56.9 percent of sales last year to 58.1 percent this year due primarily to the Company's new business structure. This new business structure reflects the fact that certain Pillsbury businesses have lower gross margins than General Mills' historical gross margins, and last year's results included only 16 weeks of Pillsbury's operations. Selling, general and administrative expense as a percent of sales in the period was lower this year compared to last year primarily because certain Pillsbury businesses, which were included in the business results for only 16 weeks last year, generally have lower marketing spending.

Reported earnings were \$692 million in the first nine months of fiscal 2003 as compared to \$401 million earnings last year. Basic earnings per share of \$1.88 for the nine months ended February 23, 2003, were up 49 percent from \$1.26

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a year earlier. Diluted earnings per share of \$1.84 for the first nine months of fiscal 2003 were up 51 percent from \$1.22 per share earned in the same period last year.

Nine-month results for both fiscal 2003 and 2002 included restructuring and other exit costs. We exclude these items from cost of goods sold or selling, general and administrative expense as we believe their inclusion therein would inappropriately affect the period-to-period comparability of those accounts.

In fiscal 2003, we recorded restructuring and other exit costs of \$58 million pretax, \$38 million after tax, consisting of \$41 million pretax charges associated with the closure of our St. Charles, Illinois, plant, and \$17 million pretax charges primarily related to costs associated with exiting production at former Pillsbury facilities being closed. These costs were incurred pursuant to our approved Pillsbury integration plans and have been segregated because of the magnitude of the Pillsbury acquisition and the related

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integration. In fiscal 2002, we recorded restructuring and other exit costs of \$108 million pretax, \$68 million after tax. These costs were primarily related to reconfiguring our North American cereal manufacturing necessitated by the sale of our Toledo, Ohio, plant as required to obtain regulatory clearance for the acquisition of Pillsbury.

Nine months selling, general and administrative expense for both fiscal 2003 and 2002 included items which are associated with infrequently occurring events. In fiscal 2003, we recorded merger-related costs of \$43 million pretax, \$28 million after tax, consisting of costs for the execution of the integration of Pillsbury, including consulting, system conversions, and other expenses. In fiscal 2002 we recorded merger-related costs totaling \$22 million pretax expense, \$14 million after-tax, for the planning and execution of the integration of Pillsbury. We also recorded \$30 million expense for a special contribution to the General Mills Foundation to increase its post-acquisition net assets to a level consistent with the guidelines of the Foundation. We also received \$30 million in insurance settlement income related to a 1994 oats handling incident.

U.S. RETAIL SEGMENT RESULTS

Third-quarter net sales for General Mills' domestic retail operations grew 14 percent to \$1.91 billion, and operating profit nearly doubled to \$450 million. Unit volume was up 7 percent from prior-year levels, which had declined 3 percent as companywide focus on integrating the Pillsbury businesses disrupted last year's operating momentum.

Big G cereals led the third-quarter growth with unit volume up 16 percent versus a 6 percent decline last year. The strong increase reflected good performance by established brands including Honey Nut Cheerios, Cheerios, Cinnamon Toast Crunch and Total, coupled with introductory shipments for new Berry Burst Cheerios. Volume for Yoplait yogurt also grew 16 percent, matching 16 percent growth in the same period last year with strong performance by

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established lines and continued good results for Yoplait Whips! The Yoplait Nouriche yogurt beverage line is currently expanding to national distribution. Baking products volume for the third quarter grew 9 percent. Meals volume grew 2 percent led by dinner mixes and Progresso soup. Snacks volume grew 7 percent led by Nature Valley granola bars and Pop Secret microwave popcorn. Pillsbury USA volume was down 1 percent for the quarter, as good gains by frozen baked goods and Totino's frozen snacks were offset by lower refrigerated dough volume.

Through nine months, net sales for the U.S. Retail segment grew 30 percent to \$5.67 billion and operating profits increased 47 percent to \$1.30 billion.

BAKERIES AND FOODSERVICE SEGMENT RESULTS

Third quarter net sales for the Bakeries and Foodservice segment grew 5 percent to \$419 million, as pricing offset a 2 percent decline in unit volume. Shipments to foodservice distributors, restaurants, and retail and wholesale bakeries were down in the quarter, reflecting weak foodservice industry trends, and these declines more than offset double-digit growth in convenience store volume. Operating profit of \$28 million was lower in the quarter, due to the volume decline and higher supply chain costs caused by the foodservice plant restructuring that is currently underway. Through the first nine months, Bakeries and Foodservice net sales increased 69 percent to \$1.34 billion and operating profits increased 29 percent to \$132 million.

INTERNATIONAL SEGMENT RESULTS

Net sales for the company's consolidated international businesses grew 5 percent in the third quarter to \$316 million, and operating profits increased sharply to \$22 million from \$12 million a year earlier. Unit volume was up in every geographic region except Latin America, where macroeconomic conditions remain difficult. Through nine months, net sales more than doubled to \$955 million, and operating profits totaled \$65 million.

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JOINT VENTURE SUMMARY

Third-quarter net earnings from joint ventures totaled \$13 million compared to \$8 million last year. Cereal Partners Worldwide (CPW), the company's joint venture with Nestle, posted 6 percent unit volume growth in the period. Unit volume for the Snack Ventures Europe (SVE) joint venture with PepsiCo grew 10 percent. Combined earnings after tax for CPW and SVE totaled \$10 million in the quarter. After tax earnings from the Haagen-Dazs joint ventures in Asia grew slightly in the quarter and more than offset development spending by the 8th Continent soy foods joint venture. Distribution of 8th Continent soymilk is expected to expand to the remaining 45 percent of the U.S. in June 2003.

Through the first nine months of fiscal 2003, net earnings from joint ventures totaled \$44 million compared to \$20 million for the same period last year.

CORPORATE ITEMS

Interest expense totaled \$135 million in the third quarter, down from \$146 million a year earlier due to favorable rates and lower debt levels. Unallocated corporate expense (including merger-related costs) totaled \$14 million pretax,

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compared to \$26 million in last year's third quarter. The effective tax rate for the quarter was 35 percent, slightly higher than last year's third quarter rate. Average diluted shares outstanding for the quarter totaled 379 million compared to 378 million a year earlier.

SUBSEQUENT EVENT

Subsequent to the close of the quarter, Fleming Companies, Inc. filed for bankruptcy protection under Chapter 11. As of the date of Fleming's bankruptcy filing, we believe that we have adequate reserves for doubtful accounts to cover losses, if any, arising from Fleming's inability to pay amounts due to us.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in Note One to the Consolidated Financial Statements included in our annual report for the year ended May 26, 2002. The accounting policies used in preparing our interim fiscal 2003 consolidated condensed financial statements are the same as those described in our annual report, except as described in Note 10, "Accounting Rules Adopted."

Our critical accounting policies are those that have meaningful impact on the reporting of our financial condition and results, and that require significant management judgment and estimates. These policies include our accounting for (a) trade and consumer promotion activities; (b) asset impairments; and (c) income taxes.

The amount and timing of recognition of trade and consumer promotion expense involves management judgment related to the estimated utilization of the promotion activities. The vast majority of balance sheet liabilities associated with these activities are resolved within the following twelve-month period, and therefore do not require highly uncertain long-term estimates.

Evaluating the impairment of long-lived assets, including goodwill and other intangible assets, involves management judgment in estimating the fair values and future cash flows related to these assets. Although the predictability of long-term cash flows may be somewhat uncertain, our evaluations indicate fair values of assets significantly in excess of stated book values. Therefore, we believe the risk of unrecognized impairment is low.

Income tax expense involves management judgment as to the ultimate resolution of any tax issues. Historically, our assessments of the ultimate resolution of tax issues have been reasonably accurate. The current open issues are not dissimilar from historical items.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes in the Company's market risk during the thirteen weeks and thirty-nine weeks ended February 23, 2003. For additional information, see "Market Risk Management" on page 20 of the Company's 2002 Annual Report to Shareholders.

ITEM 4. CONTROLS AND PROCEDURES.

Within the 90 days prior to the filing date of this report, the Company carried out an evaluation, under the supervision and with the participation of

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the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the disclosure controls, since the date of their evaluation.

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION.

This report contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 that are based on management's current expectations and assumptions. The words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project" or similar expressions identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the potential results discussed in such statements. In particular, our predictions about future volume and earnings could be affected by difficulties resulting from the Pillsbury acquisition, such as integration problems; failure to achieve synergies; unanticipated liabilities; inexperience in new business lines; and changes in the competitive environment. Our future results also could be affected by a variety of additional factors such as: competitive dynamics in the U.S. ready-to-eat cereal market, including pricing and promotional spending levels by competitors; the impact of competitive products and pricing; product development; actions of competitors other than as described above; acquisitions or disposals of businesses or assets; changes in capital structure; changes in laws and regulations, including changes in accounting standards; customer demand; effectiveness of advertising and marketing spending or programs; consumer perception of health-related issues; economic conditions, including changes in inflation rates or interest rates; fluctuation in the cost and availability of supply chain resources; foreign economic conditions, including currency rate fluctuations; political unrest and economic uncertainty due to terrorism or war. The Company undertakes no obligations to revise publicly any forward-looking statements to reflect future events or circumstances.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

| | |
|--------------|---|
| Exhibit 11 | Statement of Computation of Earnings per Share. |
| Exhibit 12 | Statement of Ratio of Earnings to Fixed Charges. |
| Exhibit 99.1 | Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. |

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Exhibit 99.2 Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

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(b) Reports on Form 8-K:

On December 20, 2002, the Company filed a Report on Form 8-K to report the filing of a press release dated December 16, 2002 and dated December 18, 2002, relating to the election of Hilda Ochoa-Brillembourg, CFA to the General Mills' Board of Directors, and the announcement reporting financial results for the second quarter ended November 24, 2002.

On January 6, 2003, the Company filed a Report on Form 8-K to report the filing of the certification of the Chief Executive Officer and the certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

On January 24, 2003, the Company filed a Report on Form 8-K to report that the Registrant entered into Amendment No. 4 (the "Amendment") to a 364-Day Credit Agreement, dated January 24, 2001, (the "Credit Agreement") among the Registrant, JPMorgan Chase Bank, as Administrative Agent, and the other financial institutions party thereto.

On February 18, 2003, the Company filed a Report on Form 8-K to report the filing of a press release describing information provided in the Registrant's presentation at the Consumer Analyst Group of New York's investor conference.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GENERAL MILLS, INC.

(Registrant)

Date July 30, 2003

/s/ S. S. MARSHALL

S. S. Marshall
Senior Vice President,
General Counsel

Date July 30, 2003

/s/ K. L. THOME

K. L. Thome
Senior Vice President,
Financial Operations

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I, Stephen W. Sanger, Chairman of the Board and Chief Executive Officer of General Mills, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of General Mills, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect

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internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: July 30, 2003

/s/ STEPHEN W. SANGER

Stephen W. Sanger
Chairman of the Board and
Chief Executive Officer

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I, James A. Lawrence, Chief Financial Officer of General Mills, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of General Mills, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability

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to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: July 30, 2003

/s/ JAMES A. LAWRENCE

James A. Lawrence
Chief Financial Officer