

GENERAL MILLS INC
Form 10-Q
March 20, 2019

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 24, 2019

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

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Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 11, 2019: 598,790,681 (excluding 155,822,647 shares held in the treasury).

General Mills, Inc.

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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		Nine-Month Period Ended	
	Feb. 24, 2019	Feb. 25, 2018	Feb. 24, 2019	Feb. 25, 2018
Net sales	\$ 4,198.3	\$ 3,882.3	\$ 12,703.5	\$ 11,850.2
Cost of sales	2,755.3	2,625.8	8,408.0	7,834.2
Selling, general, and administrative expenses	696.6	679.5	2,192.6	2,117.9
Divestiture loss	35.4	-	35.4	-
Restructuring, impairment, and other exit costs	59.7	7.5	267.7	14.3
Operating profit	651.3	569.5	1,799.8	1,883.8
Benefit plan non-service income	(21.4)	(23.2)	(63.3)	(64.5)
Interest, net	130.8	89.3	397.0	236.6
Earnings before income taxes and after-tax earnings from joint ventures	541.9	503.4	1,466.1	1,711.7
Income taxes	95.8	(432.5)	313.1	(29.1)
After-tax earnings from joint ventures	11.8	16.6	52.0	64.1
Net earnings, including earnings attributable to redeemable and noncontrolling interests	457.9	952.5	1,205.0	1,804.9
Net earnings attributable to redeemable and noncontrolling interests	11.1	11.1	22.5	28.3
Net earnings attributable to General Mills	\$ 446.8	\$ 941.4	\$ 1,182.5	\$ 1,776.6
Earnings per share - basic	\$ 0.74	\$ 1.64	\$ 1.97	\$ 3.10

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Earnings per share - diluted	\$ 0.74	\$ 1.62	\$ 1.96	\$ 3.05
Dividends per share	\$ 0.49	\$ 0.49	\$ 1.47	\$ 1.47

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

GENERAL MILLS, INC. AND SUBSIDIARIES

(Unaudited) (In Millions)

	Quarter Ended		Nine-Month Period Ended	
	Feb. 24, 2019	Feb. 25, 2018	Feb. 24, 2019	Feb. 25, 2018
Net earnings, including earnings attributable to redeemable and noncontrolling interests	\$ 457.9	\$ 952.5	\$ 1,205.0	\$ 1,804.9
Other comprehensive income (loss), net of tax:				
Foreign currency translation	48.7	23.5	(20.1)	43.0
Other fair value changes:				
Securities	-	0.6	-	1.4
Hedge derivatives	(7.7)	(6.7)	1.5	(15.6)
Reclassification to earnings:				
Securities	-	-	(2.0)	-
Hedge derivatives	(1.2)	2.8	(0.5)	3.4
Amortization of losses and prior service costs	21.0	30.7	63.5	86.4
Other comprehensive income, net of tax	60.8	50.9	42.4	118.6
Total comprehensive income	518.7	1,003.4	1,247.4	1,923.5
Comprehensive income (loss) attributable to redeemable and noncontrolling interests	13.0	40.7	(3.8)	125.5
Comprehensive income attributable to General Mills	\$ 505.7	\$ 962.7	\$ 1,251.2	\$ 1,798.0

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

GENERAL MILLS, INC. AND SUBSIDIARIES

(In Millions, Except Par Value)

	Feb. 24, 2019	May 27, 2018
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 547.1	\$ 399.0
Receivables	1,704.1	1,684.2
Inventories	1,544.5	1,642.2
Prepaid expenses and other current assets	374.1	398.3
Total current assets	4,169.8	4,123.7
Land, buildings, and equipment	3,822.9	4,047.2
Goodwill	14,025.8	14,065.0
Other intangible assets	7,195.7	7,445.1
Other assets	1,071.6	943.0
Total assets	\$ 30,285.8	\$ 30,624.0
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 2,750.5	\$ 2,746.2
Current portion of long-term debt	1,407.2	1,600.1
Notes payable	1,971.3	1,549.8
Other current liabilities	1,387.6	1,445.8
Total current liabilities	7,516.6	7,341.9
Long-term debt	11,642.6	12,668.7
Deferred income taxes	2,046.9	2,003.8
Other liabilities	1,281.4	1,341.0
Total liabilities	22,487.5	23,355.4
Redeemable interest	548.9	776.2
Stockholders' equity:		
Common stock, 754.6 shares issued, \$0.10 par value	75.5	75.5
Additional paid-in capital	1,414.2	1,202.5
Retained earnings	14,724.5	14,459.6
	(6,923.5)	(7,167.5)

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Common stock in treasury, at cost, shares of 156.0 and 161.5		
Accumulated other comprehensive loss	(2,360.3)	(2,429.0)
Total stockholders' equity	6,930.4	6,141.1
Noncontrolling interests	319.0	351.3
Total equity	7,249.4	6,492.4
Total liabilities and equity	\$ 30,285.8	\$ 30,624.0

See accompanying notes to consolidated financial statements.

Consolidated Statements of Total Equity and Redeemable Interest

GENERAL MILLS, INC. AND SUBSIDIARIES

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

		\$.10 Par Value Common Stock (One Billion Shares Authorized)					Accumulated		Non-	Total
		Issued		Treasury		Retained	Other	controlling		Equity
Shares	Par Amount	Additional Paid-In Capital	Shares	Amount	Earnings	Loss	Interests			
754.6	\$ 75.5	\$ 1,202.5	(161.5)	\$ (7,167.5)	\$ 14,459.6	\$ (2,429.0)	\$ 351.3	\$		\$ 6,492.4
					392.3	(70.2)	1.8			323.9
					(294.2)					(294.2)
			-	(0.2)						(0.2)
		(2.5)	3.0	131.8						129.3
		(65.2)								(65.2)
		28.1								28.1
		(2.0)								(2.0)
								(2.4)		(2.4)
					(33.9)					(33.9)

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754.6	75.5	1,160.9	(158.5)	(7,035.9)	14,523.8	(2,499.2)	350.7	6,575.8
					343.4	80.0	(3.2)	420.2
					(295.0)			(295.0)
			-	(0.1)				(0.1)
		(13.0)	0.6	26.3				13.3
		(1.5)						(1.5)
		15.7						15.7
								-
		270.9						270.9
							(19.9)	(19.9)
754.6	75.5	1,433.0	(157.9)	(7,009.7)	14,572.2	(2,419.2)	327.6	6,979.4
					446.8	58.9	2.6	508.3
					(294.5)			(294.5)

				(0.4)				(0.4)
	(43.9)	1.9		86.6				42.7
	(4.9)							(4.9)
	20.9							20.9
	9.1							9.1
							(11.2)	(11.2)
754.6	\$ 75.5	\$ 1,414.2	(156.0)	\$ (6,923.5)	\$ 14,724.5	\$ (2,360.3)	\$ 319.0	\$ 7,249.4

ing notes to consolidated financial statements.

Consolidated Statements of Total Equity and Redeemable Interest

GENERAL MILLS, INC. AND SUBSIDIARIES

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

		\$.10 Par Value Common Stock (One Billion Shares Authorized) Issued			Treasury		Accumulated		Non-	Total
Shares	Par Amount	Additional Paid-In Capital	Shares	Amount	Retained Earnings	Other Comprehensive Loss	controlling Interests		Equity	
754.6	\$ 75.5	\$ 1,120.9	(177.7)	\$ (7,762.9)	\$ 13,138.9	\$ (2,244.5)	\$ 357.6	\$	4,685.5	
					404.7	12.5	23.0		440.2	
					(284.3)				(284.3)	
			(10.9)	(600.3)					(600.3)	
		(13.5)	2.2	93.5					80.0	
		(58.7)							(58.7)	
		29.6							29.6	
		(7.6)							(7.6)	
							(1.5)		(1.5)	
754.6	75.5	1,070.7	(186.4)	(8,269.7)	13,259.3	(2,232.0)	379.1		4,282.9	

					430.5	(12.4)	5.1	423.2
					(280.9)			(280.9)
			-	(0.2)				(0.2)
	(7.1)	0.4		17.3				10.2
	(2.5)							(2.5)
	19.0							19.0
	163.2							163.2
							(25.2)	(25.2)
754.6	75.5	1,243.3	(186.0)	(8,252.6)	13,408.9	(2,244.4)	359.0	4,589.7
					941.4	21.3	13.1	975.8
					(281.3)			(281.3)
			-	(0.7)				(0.7)
	(28.5)	1.5		62.5				34.0
	3.0							3.0

13.7

13.7

3.5

3.5

(3.0)

(3.0)

329.4

(329.4)

-

754.6 \$ 75.5 \$ 1,235.0 (184.5) \$ (8,190.8) \$ 14,398.4 \$ (2,552.5) \$ 369.1 \$ 5,334.7

ing notes to consolidated financial statements.

Consolidated Statements of Cash Flows

GENERAL MILLS, INC. AND SUBSIDIARIES

(Unaudited) (In Millions)

	Nine-Month Period Ended	
	Feb. 24, 2019	Feb. 25, 2018
Cash Flows - Operating Activities		
Net earnings, including earnings attributable to redeemable and noncontrolling interests	\$ 1,205.0	\$ 1,804.9
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	464.6	434.7
After-tax earnings from joint ventures	(52.0)	(64.1)
Distributions of earnings from joint ventures	46.6	60.6
Stock-based compensation	65.9	62.8
Deferred income taxes	52.5	(489.1)
Pension and other postretirement benefit plan contributions	(21.8)	(20.3)
Pension and other postretirement benefit plan costs	4.7	3.5
Divestiture loss	35.4	-
Restructuring, impairment, and other exit costs	227.2	(12.3)
Changes in current assets and liabilities, excluding the effects of divestitures	36.5	394.9
Other, net	(37.0)	(40.3)
Net cash provided by operating activities	2,027.6	2,135.3
Cash Flows - Investing Activities		
Purchases of land, buildings, and equipment	(367.9)	(397.9)
Investments in affiliates, net	(1.5)	(15.2)
Proceeds from disposal of land, buildings, and equipment	10.9	0.9
Proceeds from divestiture	0.2	-
Other, net	(49.4)	(12.7)
Net cash used by investing activities	(407.7)	(424.9)
Cash Flows - Financing Activities		
Change in notes payable	429.9	(37.3)
Issuance of long-term debt	-	500.0
Payment of long-term debt	(1,153.4)	(600.0)
Proceeds from common stock issued on exercised options	140.7	91.4
Purchases of common stock for treasury	(0.7)	(601.2)
Dividends paid	(883.7)	(846.5)
Investment in redeemable interest	55.7	-
Distributions to noncontrolling and redeemable interest holders	(33.5)	(48.3)

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Other, net	(13.0)	(27.8)
Net cash used by financing activities	(1,458.0)	(1,569.7)
Effect of exchange rate changes on cash and cash equivalents	(13.8)	46.3
Increase in cash and cash equivalents	148.1	187.0
Cash and cash equivalents - beginning of year	399.0	766.1
Cash and cash equivalents - end of period	\$ 547.1	\$ 953.1
Cash Flow from changes in current assets and liabilities:		
Receivables	\$ (50.9)	\$ (25.5)
Inventories	80.7	56.6
Prepaid expenses and other current assets	16.5	13.3
Accounts payable	77.5	413.0
Other current liabilities	(87.3)	(62.5)
Changes in current assets and liabilities	\$ 36.5	\$ 394.9

See accompanying notes to consolidated financial statements.

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 (U.S. GAAP) 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 ended February 24, 2019, are not necessarily indicative of the results that may be expected for the fiscal year ending May 26, 2019.

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 27, 2018. 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 with the exception of the new accounting requirements adopted in the first quarter of fiscal 2019 related to the presentation of net periodic defined benefit pension expense, net periodic postretirement benefit expense, and net periodic postemployment benefit expense and to revenue recognition. Please see Note 17 for additional information. Certain terms used throughout this report are defined in the Glossary section below.

(2) Acquisition and Divestiture

During the third quarter of fiscal 2019, we sold our *La Salteña* fresh pasta and refrigerated dough business in Argentina, and recorded a pre-tax loss of \$35.4 million.

During the fourth quarter of fiscal 2018, we acquired Blue Buffalo Pet Products, Inc. (Blue Buffalo) for an aggregate purchase price of \$8.0 billion, including \$103.0 million of consideration for net debt repaid at the time of the acquisition. In accordance with the definitive agreement and plan of merger, a subsidiary of General Mills merged into Blue Buffalo, with Blue Buffalo surviving the merger as a wholly owned subsidiary of General Mills. In accordance with the merger agreement, equity holders of Blue Buffalo received \$40.00 per share in cash. We financed the transaction with a combination of \$6.0 billion in debt, \$1.0 billion in equity, and cash on hand. In the quarter and nine-month periods ended February 24, 2019, we recorded acquisition integration costs of \$5.8 million and \$21.3 million respectively, in selling, general, and administrative (SG&A) expenses. In the quarter and nine-month periods ended February 25, 2018, we recorded acquisition transaction costs of \$19.4 million including \$15.9 million in interest, net, and \$3.5 million in SG&A expenses.

We consolidated Blue Buffalo into our Consolidated Balance Sheets and recorded goodwill of \$5.3 billion, an indefinite-lived intangible asset for the Blue Buffalo brand of \$2.7 billion, and a finite-lived customer relationship asset of \$269.0 million. The goodwill was primarily attributable to future growth opportunities and any intangible assets that did not qualify for separate recognition. The goodwill is included in the Pet reporting unit and is not deductible for tax purposes. We have conducted a preliminary assessment of certain assets and liabilities related to the acquisition of Blue Buffalo, and we are continuing our review of these items during the measurement period. If new information is obtained about facts and circumstances that existed at the acquisition date, the acquisition accounting will be revised to reflect the resulting adjustments to current estimates of these items.

The results of Blue Buffalo are reported in our Pet operating segment on a one-month lag.

(3) Restructuring, Impairment, and Other Exit Costs

Restructuring and impairment charges were as follows:

In Millions	Quarter Ended		Nine-Month Period Ended	
	Feb. 24, 2019	Feb. 25, 2018	Feb. 24, 2019	Feb. 25, 2018
Asset impairments	\$ 1.2	\$ -	\$ 207.0	\$ -
Targeted actions in global supply chain	58.8	-	58.8	-
Charges associated with restructuring actions previously announced	(0.2)	7.6	2.2	27.3
Total restructuring and impairment costs	59.8	7.6	268.0	27.3

In the third quarter of fiscal 2019, we approved restructuring actions to drive efficiencies in targeted areas of our global supply chain. In

our North American Retail segment, we approved actions at certain facilities to consolidate production and optimize our labor and manufacturing platforms. In connection with these actions we will exit our Carson, California yogurt manufacturing facility. We expect to incur approximately \$105 million of restructuring charges related to these actions, including \$13 million of severance expense and \$92 million of other costs, primarily asset write-offs. We also expect to incur approximately \$2 million of project-related costs. We recorded \$9.3 million of severance and \$37.3 million of other costs in the third quarter of fiscal 2019. Additionally, we approved targeted systems and process optimization actions in our Europe & Australia segment and expect to incur approximately \$20 million of restructuring charges, including \$12 million of severance expense and \$8 million of other costs. We recorded \$11.8 million of severance and \$0.4 million of other costs in the third quarter of fiscal 2019.

Certain of these global supply chain actions are subject to union negotiations and works council consultations, where required. We expect to spend approximately \$30 million of cash related to these actions and spent \$0.3 million in the third quarter of fiscal 2019. We expect these actions to be completed by the end of fiscal 2022.

We paid \$0.3 million in cash in the nine-month period ended February 24, 2019, for project-related costs compared to \$8.0 million in the same period of fiscal 2018.

In the second quarter of fiscal 2019, we recorded \$192.6 million of charges related to the impairment of our *Progresso*, *Food Should Taste Good*, and *Mountain High* brand intangible assets in restructuring, impairment, and other exit costs. Please see Note 4 for additional information.

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

In Millions	Quarter Ended		Nine-Month Period Ended	
	Feb. 24, 2019	Feb. 25, 2018	Feb. 24, 2019	Feb. 25, 2018
Restructuring, impairment, and other exit costs	\$ 59.7	\$ 7.5	\$ 267.7	\$ 14.3
Cost of sales	0.1	0.1	0.3	13.0
Total restructuring and impairment charges	59.8	7.6	268.0	27.3
Project-related costs classified in cost of sales	\$ 0.1	\$ 3.0	\$ 1.3	\$ 8.4

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

In Millions	Contract		Other		Total
	Severance	Termination	Exit Costs		
Reserve balance as of May 27, 2018	\$ 66.0	\$ 0.1	\$ 0.7		\$ 66.8
Fiscal 2019 charges, including foreign currency translation	11.4	1.2	2.1		14.7
Utilized in fiscal 2019	(31.2)	(1.3)	(1.9)		(34.4)

Reserve balance as of Feb. 24, 2019	\$ 46.2	\$ -	\$ 0.9	\$ 47.1
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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, accelerated depreciation, the gain or loss on the sale of restructured assets, and the write-off of spare parts) and other periodic exit costs are 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	Feb. 24, 2019	May 27, 2018
Goodwill	\$ 14,025.8	\$ 14,065.0
Other intangible assets:		
Intangible assets not subject to amortization:		
Brands and other indefinite-lived intangibles	6,606.5	6,818.7
Intangible assets subject to amortization:		
Franchise agreements, customer relationships, and other finite-lived intangibles	792.8	811.7
Less accumulated amortization	(203.6)	(185.3)
Intangible assets subject to amortization, net	589.2	626.4
Other intangible assets	7,195.7	7,445.1
Total	\$ 21,221.5	\$ 21,510.1

Based on the carrying value of finite-lived intangible assets as of February 24, 2019, annual amortization expense for each of the next five fiscal years is estimated to be approximately \$40 million.

During the fourth quarter of fiscal 2018, we acquired Blue Buffalo, which became our Pet operating segment and we recorded \$5.3 billion of goodwill, \$2.7 billion related to an indefinite-lived brand intangible asset, and \$269.0 million related to a finite-lived customer relationship intangible asset.

The changes in the carrying amount of goodwill during fiscal 2019 were as follows:

In Millions	North America Retail	Pet	Convenience Stores & Foodservice	Europe & Australia	Asia & Latin America	Joint Ventures	Total
Balance as of May 27, 2018	\$ 6,410.6	\$ 5,294.9	\$ 918.8	\$ 729.9	\$ 285.0	\$ 425.8	\$ 14,065.0
Other activity, primarily foreign currency translation	(1.4)	-	-	(19.1)	(7.1)	(11.6)	(39.2)
Balance as of Feb. 24, 2019	\$ 6,409.2	\$ 5,294.9	\$ 918.8	\$ 710.8	\$ 277.9	\$ 414.2	\$ 14,025.8

The changes in the carrying amount of other intangible assets during fiscal 2019 were as follows:

In Millions	Total
Balance as of May 27, 2018	\$ 7,445.1
Impairment charges	(192.6)
Other activity, primarily foreign currency translation	(56.8)

Balance as of Feb. 24, 2019

\$ 7,195.7

We performed our annual goodwill and indefinite-lived intangible assets impairment test as of the first day of the second quarter of fiscal 2019. As a result of lower sales projections in our long-range plans for the businesses supporting the *Progresso*, *Food Should Taste Good*, and *Mountain High* brand intangible assets, we recorded the following impairment charges:

In Millions	Impairment Charge	Fair Value as of Nov. 25, 2018 (a)
<i>Progresso</i>	\$ 132.1	\$ 330.0
<i>Food Should Taste Good</i>	45.1	-
<i>Mountain High</i>	15.4	-
Total	\$ 192.6	\$ 330.0

(a) Level 3 assets in the fair value hierarchy.

Significant assumptions used in that assessment included our long-range cash flow projections for the businesses, royalty rates, weighted average cost of capital rates, and tax rates.

All other intangible asset fair values were substantially in excess of the carrying values, except for the Latin America reporting unit and the *Yoki* brand intangible asset. The excess fair value as of the fiscal 2019 test date of the Latin America reporting unit and the *Yoki* brand intangible asset were as follows:

In Millions	Carrying Value of Intangible Asset	Excess Fair Value as of Fiscal 2019 Test Date
Latin America	\$ 209.0	7%
<i>Yoki</i>	\$ 49.1	10%

While having significant coverage as of our fiscal 2019 assessment date, the *Pillsbury* brand intangible asset and U.S. Yogurt reporting unit had risk of decreasing coverage. We will continue to monitor these businesses for potential impairment.

(5) Inventories

The components of inventories were as follows:

In Millions	Feb. 24, 2019	May 27, 2018
Raw materials and packaging	\$ 401.0	\$ 400.0
Finished goods	1,263.4	1,364.2
Grain	97.8	91.2
Excess of FIFO over LIFO cost	(217.7)	(213.2)
Total	\$ 1,544.5	\$ 1,642.2

(6) Risk Management Activities

Many commodities we use in the production and distribution of our products are exposed to market price risks. We utilize derivatives to manage price risk for our principal ingredients and energy costs, including grains (oats, wheat, and corn), oils (principally soybean), dairy products, natural gas, and diesel fuel. Our primary objective when entering

into these derivative contracts is to achieve certainty with regard to the future price of commodities purchased for use in our supply chain. We manage our exposures through a combination of purchase orders, long-term contracts with suppliers, exchange-traded futures and options, and over-the-counter options and swaps. We offset our exposures based on current and projected market conditions and generally seek to acquire the inputs at as close to our planned cost as possible.

We use derivatives to manage our exposure to changes in commodity prices. We do not perform the assessments required to achieve hedge accounting for commodity derivative positions. Accordingly, the changes in the values of these derivatives are recorded currently in cost of sales in our Consolidated Statements of Earnings.

Although we do not meet the criteria for cash flow hedge accounting, we believe that these instruments are effective in achieving our objective of providing certainty in the future price of commodities purchased for use in our supply chain. Accordingly, for purposes of measuring segment operating performance, these gains and losses are reported in unallocated corporate items outside of segment operating results until such time that the exposure we are managing affects earnings. At that time we reclassify the gain or loss from

unallocated corporate items to segment operating profit, allowing our operating segments to realize the economic effects of the derivative without experiencing any resulting mark-to-market volatility, which remains in unallocated corporate items.

Unallocated corporate items for the quarters and nine-month periods ended February 24, 2019 and February 25, 2018 included:

In Millions	Quarter Ended		Nine-Month Period Ended	
	Feb. 24, 2019	Feb. 25, 2018	Feb. 24, 2019	Feb. 25, 2018
Net gain (loss) on mark-to-market valuation of certain commodity positions	\$ 10.2	\$ 0.3	\$ (26.8)	\$ (8.1)
Net loss (gain) on commodity positions reclassified from				
unallocated corporate items to segment operating profit	0.8	4.6	(0.7)	10.7
Net mark-to-market revaluation of certain grain inventories	(4.5)	(7.7)	(8.9)	0.9
Net mark-to-market valuation of certain commodity positions				
recognized in unallocated corporate items	\$ 6.5	\$ (2.8)	\$ (36.4)	\$ 3.5

As of February 24, 2019, the net notional value of commodity derivatives was \$229.0 million, of which \$101.2 million related to energy inputs and \$127.8 million related to agricultural inputs. These contracts relate to inputs that generally will be utilized within the next 12 months.

The fair values of the derivative positions used in our risk management activities and other assets recorded at fair value were not material as of February 24, 2019, and were Level 1 or Level 2 assets and liabilities in the fair value hierarchy. We did not significantly change our valuation techniques from prior periods.

We offer certain suppliers access to third party services that allow them to view our scheduled payments online. The third party services also allow suppliers to finance advances on our scheduled payments at the sole discretion of the supplier and the third party. We have no economic interest in these financing arrangements and no direct relationship with the suppliers, the third parties, or any financial institutions concerning these services. All of our accounts payable remain as obligations to our suppliers as stated in our supplier agreements. As of February 24, 2019, \$1,017.5 million of our total accounts payable were payable to suppliers who utilize these third party services.

(7) Debt

The components of notes payable were as follows:

In Millions	Feb. 24, 2019	May 27, 2018
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U.S. commercial paper	\$ 1,804.9	\$ 1,213.5
Financial institutions	166.4	336.3
Total	\$ 1,971.3	\$ 1,549.8

To ensure availability of funds, we maintain bank credit lines sufficient to cover our outstanding notes payable. Commercial paper is a continuing source of short-term financing. We have commercial paper programs available to us in the United States and Europe. We also have committed, uncommitted, and asset-backed credit lines that support our foreign operations.

The following table details the fee-paid committed and uncommitted credit lines we had available as of February 24, 2019:

In Billions	Facility Amount	Borrowed Amount
Credit facility expiring:		
May 2022	\$ 2.7	\$ -
June 2019	0.2	-
Total committed credit facilities	2.9	-
Uncommitted credit facilities	0.7	0.2
Total committed and uncommitted credit facilities	\$ 3.6	\$ 0.2

The credit facilities contain covenants, including a requirement to maintain a fixed charge coverage ratio of at least 2.5 times. We were in compliance with all credit facility covenants as of February 24, 2019.

Long-Term Debt

The fair values and carrying amounts of long-term debt, including the current portion, were \$12,960.8 million and \$13,049.8 million, respectively, as of February 24, 2019. The fair value of long-term debt was estimated using market quotations and discounted cash flows based on our current incremental borrowing rates for similar types of instruments. Long-term debt is a Level 2 liability in the fair value hierarchy.

In March 2019, subsequent to the end of our fiscal third quarter, we issued 300.0 million principal amount of 0.0 percent fixed-rate notes due January 15, 2020. We may redeem the notes if certain tax laws change and we would be obligated to pay additional amounts on the notes. These notes are senior unsecured obligations that include a change of control repurchase provision. We intend to use the net proceeds, together with cash on hand, to repay our floating rate notes due March 2019.

In February 2019, we repaid \$1,150.0 million of 5.65 percent fixed-rate notes with proceeds from commercial paper.

In April 2018, we issued \$4,800.0 million principal amount of fixed-rate notes. Interest on the notes is payable semi-annually in arrears. We may redeem the notes in whole, or in part, at any time at the applicable redemption price. The notes are senior unsecured obligations that include a change of control repurchase provision. The net proceeds were used to finance a portion of the Blue Buffalo acquisition.

The principal amounts of these fixed-rate notes were as follows:

In Millions	Principal
4.2% notes due April 17, 2028	\$ 1,400.0
3.7% notes due October 17, 2023	850.0
4.0% notes due April 17, 2025	800.0
4.7% notes due April 17, 2048	650.0
3.2% notes due April 16, 2021	600.0
4.55% notes due April 17, 2038	500.0
Total	\$ 4,800.0

In April 2018, we issued \$1,250.0 million principal amount of floating-rate notes. Interest on the notes is payable quarterly in arrears. The notes are not generally redeemable prior to maturity. These notes are senior unsecured obligations that include a change of control repurchase provision. The net proceeds were used to finance a portion of the Blue Buffalo acquisition.

The principal amounts of these floating-rate notes were as follows:

In Millions	Principal
Floating-rate notes due April 16, 2021	\$ 850.0
Floating-rate notes due October 17, 2023	400.0
Total	\$ 1,250.0

In the third quarter of fiscal 2018, we paid \$113.8 million to repurchase \$100.0 million of our previously issued 6.39 percent medium term notes due 2023. We recorded the \$13.8 million premium paid in the repurchase as interest expense.

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In October 2017, we issued \$500.0 million principal amount of 2.6 percent fixed-rate notes due October 12, 2022. Interest on the notes is payable semi-annually in arrears. We may redeem the notes in whole, or in part, at any time at the applicable redemption price. The notes are senior unsecured obligations that include a change of control repurchase provision. The net proceeds, together with cash on hand, were used to repay \$500.0 million of 1.4 percent fixed-rate notes.

Certain of our long-term debt agreements contain restrictive covenants. As of February 24, 2019, we were in compliance with all of these covenants.

(8) Redeemable and Noncontrolling Interests

We have a 51 percent controlling interest in Yoplait SAS and a 50 percent interest in Yoplait Marques SNC and Liberté Marques Sàrl. Sodiaal International (Sodiaal) holds the remaining interests in each of the entities. On the acquisition date, we recorded the \$904.4 million fair value of Sodiaal's 49 percent euro-denominated interest in Yoplait SAS as a redeemable interest on our Consolidated Balance Sheets. Sodiaal has the ability to put all or a portion of its redeemable interest to us at fair value once per year, up to three times before December 2024. We adjust the value of the redeemable interest through additional paid-in capital on our Consolidated Balance Sheets quarterly to the redeemable interest's redemption value, which approximates its fair value. Yoplait SAS pays dividends annually if it meets certain financial metrics set forth in its shareholders' agreement. As of February 24, 2019, the redemption value of the euro-denominated redeemable interest was \$548.9 million.

A subsidiary of Yoplait SAS has an exclusive milk supply agreement for its European operations with Sodiaal through July 1, 2021. Net purchases totaled \$150.1 million for the nine-month period ended February 24, 2019, and \$172.7 million for the nine-month period ended February 25, 2018.

During the second quarter of fiscal 2019, Sodiaal made an additional investment of \$55.7 million in Yoplait SAS.

On the acquisition dates, we recorded the \$281.4 million fair value of Sodiaal's 50 percent euro-denominated interest in Yoplait Marques SNC and 50 percent Canadian dollar-denominated interest in Liberté Marques Sàrl as noncontrolling interests on our Consolidated Balance Sheets. Yoplait Marques SNC earns a royalty stream through a licensing agreement with Yoplait SAS for the rights to *Yoplait* and related trademarks. Liberté Marques Sàrl earns a royalty stream through licensing agreements with certain Yoplait group companies for the rights to *Liberté* and related trademarks. These entities pay dividends annually based on their available cash as of their fiscal year end.

The third-party holder of the General Mills Cereals, LLC (GMC) Class A Interests receives quarterly preferred distributions from available net income based on the application of a floating preferred return rate to the holder's capital account balance established in the most recent mark-to-market valuation (currently \$251.5 million). On June 1, 2018, the floating preferred return rate on GMC's Class A Interests was reset to the sum of three-month LIBOR plus 142.5 basis points. The preferred return rate is adjusted every three years through a negotiated agreement with the Class A Interest holder or through a remarketing auction.

Our noncontrolling interests contain restrictive covenants. As of February 24, 2019, we were in compliance with all of these covenants.

(9) Stockholders' Equity

The following tables provide details of total comprehensive income:

In Millions	Quarter Ended Feb. 24, 2019					Quarter Ended Feb. 25, 2018				
	General Mills		Noncontrolling Interests	Redeemable Interest		General Mills		Noncontrolling Interests	Redeemable Interest	
	Pretax	Tax	Net	Net	Net	Pretax	Tax	Net	Net	Net
Net earnings, including earnings attributable to redeemable and noncontrolling interests			\$ 446.8	\$ 2.5	\$ 8.6			\$ 941.4	\$ 2.8	\$ 8.3
Other comprehensive income:										
Foreign currency translation	\$ 46.1	\$ -	46.1	0.1	2.5	\$ (6.9)	\$ -	(6.9)	10.3	20.1
Other fair value changes:										
Securities	-	-	-	-	-	0.8	(0.2)	0.6	-	-
Hedge derivatives	(5.9)	(1.0)	(6.9)	-	(0.8)	(7.2)	1.2	(6.0)	-	(0.7)
Reclassification to earnings:										
Hedge derivatives (a)	(2.0)	0.7	(1.3)	-	0.1	3.9	(1.0)	2.9	-	(0.1)
Amortization of losses and prior service costs (b)	27.3	(6.3)	21.0	-	-	45.1	(14.4)	30.7	-	-
Other comprehensive income	\$ 65.5	\$ (6.6)	58.9	0.1	1.8	\$ 35.7	\$ (14.4)	21.3	10.3	19.3
Total comprehensive income			\$ 505.7	\$ 2.6	\$ 10.4			\$ 962.7	\$ 13.1	\$ 27.6

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- (a) Loss (gain) reclassified from AOCI into earnings is reported in interest, net for interest rate swaps and in cost of sales and SG&A expenses for foreign exchange contracts.
- (b) Loss reclassified from AOCI into earnings is reported in benefit plan non-service income. Please refer to Note 17.

	Nine-Month Period Ended Feb. 24, 2019					Nine-Month Period Ended Feb. 25, 2018				
	General Mills	Noncontrolling Interests	Redeemable Interest	General Mills	Noncontrolling Interests	Redeemable Interest	General Mills	Noncontrolling Interests	Redeemable Interest	
In Millions	Pretax	Tax	Net	Net	Net	Pretax	Tax	Net	Net	Net
Net earnings, including earnings attributable to redeemable and noncontrolling interests			\$ 1,182.5	\$ 10.7	\$ 11.8			\$ 1,776.6	\$ 8.8	\$ 19.5
Other comprehensive income (loss):										
Foreign currency translation	\$ 5.8	\$ -	5.8	(9.5)	(16.4)	\$ (55.5)	\$ -	(55.5)	32.4	66.1
Other fair value changes:										
Securities	-	-	-	-	-	2.1	(0.7)	1.4	-	-
Hedge derivatives	3.3	(1.3)	2.0	-	(0.5)	(19.4)	3.9	(15.5)	-	(0.1)
Reclassification to earnings:										
Securities (a)	(2.6)	0.6	(2.0)	-	-	-	-	-	-	-
Hedge derivatives (b)	(1.0)	0.4	(0.6)	-	0.1	7.2	(2.6)	4.6	-	(1.2)
Amortization of losses and prior service costs (c)	81.0	(17.5)	63.5	-	-	132.7	(46.3)	86.4	-	-
Other comprehensive income (loss)	\$ 86.5	\$ (17.8)	68.7	(9.5)	(16.8)	\$ 67.1	\$ (45.7)	21.4	32.4	64.8
Total comprehensive income (loss)			\$ 1,251.2	\$ 1.2	\$ (5.0)			\$ 1,798.0	\$ 41.2	\$ 84.3

(a) Gain reclassified from AOCI into earnings is reported in interest, net for securities.

(b) Loss (gain) reclassified from AOCI into earnings is reported in interest, net for interest rate swaps and in cost of sales and SG&A expenses for foreign exchange contracts.

(c) Loss reclassified from AOCI into earnings is reported in benefit plan non-service income. Please refer to Note 17. Accumulated other comprehensive loss balances, net of tax effects, were as follows:

	Feb. 24,	May 27,
In Millions	2019	2018

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Foreign currency translation adjustments	\$ (695.8)	\$ (701.6)
Unrealized gain (loss) from:		
Securities		2.0
Hedge derivatives	(30.7)	(32.1)
Pension, other postretirement, and postemployment benefits:		
Net actuarial loss	(1,658.5)	(1,723.6)
Prior service credits	24.7	26.3
Accumulated other comprehensive loss	\$ (2,360.3)	\$ (2,429.0)

(10) Stock Plans

We have various stock-based compensation programs under which awards, including stock options, restricted stock, restricted stock units, and performance awards, may be granted to employees and non-employee directors. These programs and related accounting are described in Note 11 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 27, 2018.

Compensation expense related to stock-based payments recognized in the Consolidated Statements of Earnings was as follows:

In Millions	Quarter Ended		Nine-Month Period Ended	
	Feb. 24, 2019	Feb. 25, 2018	Feb. 24, 2019	Feb. 25, 2018
Compensation expense related to stock-based payments	\$ 21.4	\$ 14.5	\$ 66.0	\$ 63.4

Compensation expense related to stock-based payments recognized in the Consolidated Statements of Earnings includes amounts recognized in restructuring, impairment, and other exit costs in fiscal 2019 and fiscal 2018.

We recognized windfall tax benefits from stock-based payments in income tax expense in our Consolidated Statements of Earnings of \$5.3 million for the third quarter of fiscal 2019 and \$12.0 million for the nine-month period ended February 24, 2019 compared to \$6.6 million in the third quarter of fiscal 2018 and \$26.8 million in the nine-month period ended February 25, 2018.

As of February 24, 2019, unrecognized compensation expense related to non-vested stock options, restricted stock units, and performance share units was \$117.2 million. This expense will be recognized over 23 months, on average.

Net cash proceeds from the exercise of stock options less shares used for withholding taxes and the intrinsic value of options exercised were as follows:

In Millions	Nine-Month Period Ended	
	Feb. 24, 2019	Feb. 25, 2018
Net cash proceeds	\$ 140.7	\$ 91.4
Intrinsic value of options exercised	\$ 66.5	\$ 79.9

We estimate the fair value of each stock option on the grant date using a Black-Scholes option-pricing model. Black-Scholes option-pricing models require us to make predictive assumptions regarding future stock price volatility, employee exercise behavior, and dividend yield. We estimate our future stock price volatility using the historical volatility over the expected term of the option, excluding time periods of volatility we believe a marketplace participant would exclude in estimating our stock price volatility. We also have considered, but did not use, implied volatility in our estimate, because trading activity in options on our stock, especially those with tenors of greater than 6 months, is insufficient to provide a reliable measure of expected volatility. Our method of selecting the other valuation assumptions is explained in Note 11 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 27, 2018.

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

	Nine-Month Period	
	Ended	
	Feb. 24,	Feb. 25,
	2019	2018
Estimated fair values of stock options granted	\$5.35	\$6.18
Assumptions:		
Risk-free interest rate	2.9 %	2.2 %
Expected term	8.5 years	8.2 years
Expected volatility	16.3 %	15.8 %
Dividend yield	4.3 %	3.6 %

Information on stock option activity follows:

	Options Outstanding (Thousands)	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Millions)
Balance as of May 27, 2018	28,963.8	\$ 42.90		
Granted	3,149.8	46.09		
Exercised	(4,751.9)	30.53		
Forfeited or expired	(447.0)	53.60		
Outstanding as of Feb. 24, 2019	26,914.7	\$ 45.28	4.60	\$ 139.6
Exercisable as of Feb. 24, 2019	17,366.1	\$ 39.85	2.66	\$ 138.0

Information on restricted stock and performance share unit activity follows:

	Equity Classified		Liability Classified	
	Share- Settled Units (Thousands)	Weighted- Average Grant-Date Fair Value	Share- Settled Units (Thousands)	Weighted- Average Grant-Date Fair Value
Non-vested as of May 27, 2018	3,731.8	\$ 57.50	121.3	\$ 58.26
Granted	1,816.2	46.09	35.2	46.11
Vested	(797.3)	50.85	(34.2)	55.29
Forfeited	(355.9)	58.14	(11.8)	57.64
Non-vested as of Feb. 24, 2019	4,394.8	\$ 53.94	110.5	\$ 55.38

The total grant date fair value of restricted stock unit awards that vested during the period follows:

In Millions	Nine-Month Period Ended	
	Feb. 24, 2019	Feb. 25, 2018
Total grant date fair value	\$ 42.4	\$ 89.7

(11) Earnings Per Share

Basic and diluted earnings per share (EPS) were calculated using the following:

In Millions, Except per Share Data	Quarter Ended		Nine-Month Period Ended	
	Feb. 24, 2019	Feb. 25, 2018	Feb. 24, 2019	Feb. 25, 2018
Net earnings attributable to General Mills	\$ 446.8	\$ 941.4	\$ 1,182.5	\$ 1,776.6
Average number of common shares basic EPS	600.4	572.5	599.3	573.4
Incremental share effect from: (a)				
Stock options	2.2	7.9	3.0	7.7
Restricted stock, restricted stock units, and other	1.9	2.3	1.7	2.1
Average number of common shares diluted EPS	604.5	582.7	604.0	583.2
Earnings per share basic	\$ 0.74	\$ 1.64	\$ 1.97	\$ 3.10
Earnings per share diluted	\$ 0.74	\$ 1.62	\$ 1.96	\$ 3.05

(a) Incremental shares from stock options, restricted stock units, and performance share units are computed by the treasury stock method. Stock options, restricted stock units, and performance share units excluded from our computation of diluted EPS because they were not dilutive were as follows:

In Millions	Quarter Ended		Nine-Month Period Ended	
	Feb. 24, 2019	Feb. 25, 2018	Feb. 24, 2019	Feb. 25, 2018
Anti-dilutive stock options, restricted stock units, and performance share units	14.4	5.2	14.1	6.8

(12) Share Repurchases

Share repurchases were as follows:

In Millions	Quarter Ended		Nine-Month Period Ended	
	Feb. 24, 2019	Feb. 25, 2018	Feb. 24, 2019	Feb. 25, 2018
Shares of common stock	-	-	-	10.9
Aggregate purchase price	\$ 0.4	\$ 0.7	\$ 0.7	\$ 601.2

(13) Statements of Cash Flows

Our Consolidated Statements of Cash Flows include the following:

In Millions	Nine-Month Period Ended
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	Feb. 24, 2019	Feb. 25, 2018
Net cash interest payments	\$ 367.8	\$ 237.9
Net income tax payments	\$ 334.5	\$ 424.3

(14) Retirement and Postemployment Benefits

In fiscal 2018, we approved an amendment to reorganize the U.S. qualified defined benefit pension plans and the supplemental pension plans that resulted in the spinoff of a portion of the General Mills Pension Plan (the Plan) and the 2005 Supplemental Retirement Plan and the Supplemental Retirement Plan (Grandfathered) (together, the Supplemental Plans) into new plans effective May 31, 2018. The benefits offered to the plans' participants were unchanged. The result of the reorganization was the creation of the General Mills Pension Plan I (Plan I) and the 2005 Supplemental Retirement Plan I and the Supplemental Retirement Plan I (Grandfathered) (together, the Supplemental Plans I). The reorganization was made to facilitate a targeted investment strategy over

time and to provide additional flexibility in evaluating opportunities to reduce risk and volatility. Actuarial gains and losses associated with the Plan and the Supplemental Plans are amortized over the average remaining service life of the active participants. Actuarial gains and losses associated with Plan I and the Supplemental Plans I are amortized over the average remaining life of the participants.

Components of net periodic benefit expense are as follows:

In Millions	Defined Benefit Pension Plans		Other Postretirement Benefit Plans		Postemployment Benefit Plans	
	Quarter Ended		Quarter Ended		Quarter Ended	
	Feb. 24, 2019	Feb. 25, 2018	Feb. 24, 2019	Feb. 25, 2018	Feb. 24, 2019	Feb. 25, 2018
Service cost	\$ 23.7	\$ 24.0	\$ 2.4	\$ 2.8	\$ 1.9	\$ 2.1
Interest cost	62.0	55.4	8.3	7.7	0.7	0.6
Expected return on plan assets	(111.4)	(119.3)	(10.2)	(13.0)	-	-
Amortization of losses	27.6	44.6	0.2	0.2	0.1	0.2
Amortization of prior service costs (credits)	0.3	0.4	(1.3)	(1.3)	0.1	0.2
Other adjustments	-	-	-	-	1.9	0.4
Settlement or curtailment losses	0.3	-	-	-	-	-
Net expense (income)	\$ 2.5	\$ 5.1	\$ (0.6)	\$ (3.6)	\$ 4.7	\$ 3.5

In Millions	Defined Benefit Pension Plans		Other Postretirement Benefit Plans		Postemployment Benefit Plans	
	Nine-Month Period Ended		Nine-Month Period Ended		Nine-Month Period Ended	
	Feb. 24, 2019	Feb. 25, 2018	Feb. 24, 2019	Feb. 25, 2018	Feb. 24, 2019	Feb. 25, 2018
Service cost	\$ 71.1	\$ 71.9	\$ 7.5	\$ 8.4	\$ 5.7	\$ 6.4
Interest cost	186.0	166.2	24.8	23.1	2.2	1.7
Expected return on plan assets	(334.4)	(357.7)	(30.4)	(39.1)	-	-
Amortization of losses	82.6	132.8	0.5	0.6	0.2	0.6
Amortization of prior service costs (credits)	1.1	1.4	(4.1)	(4.0)	0.4	0.5
Other adjustments	-	-	-	-	7.5	7.2
Settlement or curtailment losses	0.3	-	-	-	-	-
Net expense (income)	\$ 6.7	\$ 14.6	\$ (1.7)	\$ (11.0)	\$ 16.0	\$ 16.4

(15) Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act (TCJA) was signed into law. The TCJA results in significant revisions to the U.S. corporate income tax system, including a reduction in the U.S. corporate income tax rate, implementation of a territorial system, and a one-time deemed repatriation tax on untaxed foreign earnings. The TCJA

includes provisions affecting our fiscal 2019 tax rate, including, but not limited to: a reduction in the U.S. corporate tax rate on domestic operations to 21 percent; a new provision that taxes U.S. allocated expenses and certain income from foreign operations (Global Intangible Low Tax Income or GILTI); a new limitation on deductible interest expense; the repeal of the domestic manufacturing deduction; and a limitation on the deductibility of certain executive compensation.

Generally, the impacts of new legislation would be required to be recorded in the period of enactment which for us was the third quarter of fiscal 2018. However, Accounting Standards Update 2018-05: *Income Taxes (Topic 740)* (ASU 2018-05) was issued with guidance allowing for the recognition of provisional amounts in the event that the accounting is not complete and a reasonable estimate can be made. The guidance allows for a measurement period of up to one year from the enactment date to finalize the accounting related to the TCJA.

During fiscal 2018, we recorded a provisional net benefit of \$523.5 million related to the impacts of the TCJA. This provisional net benefit was determined using reasonable estimates for those tax effects based on analysis and information available to date. In the third quarter of fiscal 2019, we completed our accounting for the tax effects of the TCJA and recorded a benefit of \$7.2 million which

included adjustments to the transition tax and the measurement of our net U.S. deferred tax liability. We will continue to monitor for any future guidance issued by the U.S. Treasury Department, Internal Revenue Service, Financial Accounting Standards Board, and other standard setting and regulatory bodies and record any additional impacts in the quarter of enactment.

(16) Business Segment and Geographic Information

We operate in the packaged foods industry. During the fourth quarter of fiscal 2018, we acquired Blue Buffalo, which became our Pet operating segment. Following the acquisition, our operating segments are as follows: North America Retail; Convenience Stores & Foodservice; Europe & Australia; Asia & Latin America; and Pet.

Our North America Retail operating segment reflects business with a wide variety of grocery stores, mass merchandisers, membership stores, natural food chains, drug, dollar and discount chains, and e-commerce grocery providers. Our product categories in this business segment are ready-to-eat cereals, refrigerated yogurt, soup, meal kits, refrigerated and frozen dough products, dessert and baking mixes, frozen pizza and pizza snacks, grain, fruit and savory snacks, and a wide variety of organic products including refrigerated yogurt, nutrition bars, meal kits, salty snacks, ready-to-eat cereal, and grain snacks.

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

Our Europe & Australia operating segment reflects retail and foodservice businesses in the greater Europe and Australia regions. Our product categories include refrigerated yogurt, meal kits, super-premium ice cream, refrigerated and frozen dough products, shelf stable vegetables, grain snacks, and dessert and baking mixes. We also sell super-premium ice cream directly to consumers through owned retail shops. Revenues from franchise fees are reported in the region or country where the franchisee is located.

Our Asia & Latin America operating segment consists of retail and foodservice businesses in the greater Asia and South America regions. Our product categories include super-premium ice cream and frozen desserts, refrigerated and frozen dough products, dessert and baking mixes, meal kits, salty and grain snacks, wellness beverages, and refrigerated yogurt. We also sell super-premium ice cream and frozen desserts directly to consumers through owned retail shops. Our Asia & Latin America segment also includes products manufactured in the United States for export, mainly to Caribbean and Latin American markets, as well as products we manufacture for sale to our international joint ventures. Revenues from export activities and franchise fees are reported in the region or country where the end customer or franchisee is located.

Our Pet operating segment includes pet food products sold primarily in the United States in specialty channels, including national pet superstore chains, regional pet store chains, neighborhood pet stores, and farm and feed stores; e-commerce retailers; military outlets; hardware stores; veterinary clinics and hospitals; and grocery and mass merchandisers. Our product categories include dog and cat food (dry foods, wet foods, and treats) made with whole meats, fruits and vegetables, and other high-quality natural ingredients. Our tailored pet product offerings address specific dietary, lifestyle, and life-stage needs and span different product types, diet types, breed sizes for dogs, lifestages, flavors, product functions and textures, and cuts for wet foods. We are reporting the Pet operating segment results on a one-month lag and accordingly, our fiscal 2018 results did not include Pet segment operating results.

Operating profit for these segments excludes unallocated corporate items, gain or loss on divestitures, and restructuring, impairment, and other exit costs. Unallocated corporate items include corporate overhead expenses,

variances to planned domestic employee benefits and incentives, contributions to the General Mills Foundation, asset and liability remeasurement impact of hyperinflationary economies, restructuring initiative project-related costs, and other items that are not part of our measurement of segment operating performance. These include gains and losses arising from the revaluation of certain grain inventories and gains and losses from mark-to-market valuation of certain commodity positions until passed back to our operating segments. These items affecting operating profit are centrally managed at the corporate level and are excluded from the measure of segment profitability reviewed by executive management. Under our supply chain organization, our manufacturing, warehouse, and distribution activities are substantially integrated across our operations in order to maximize efficiency and productivity. As a result, fixed assets and depreciation and amortization expenses are neither maintained nor available for all operating segments.

Our operating segment results were as follows:

In Millions	Quarter Ended		Nine-Month Period Ended	
	Feb. 24, 2019	Feb. 25, 2018	Feb. 24, 2019	Feb. 25, 2018
Net sales:				
North America Retail	\$ 2,518.6	\$ 2,517.4	\$ 7,583.5	\$ 7,727.4
Convenience Stores & Foodservice	472.5	460.3	1,450.1	1,419.6
Europe & Australia	432.7	469.8	1,387.2	1,428.4
Asia & Latin America	427.7	434.8	1,257.4	1,274.8
Pet	346.8	-	1,025.3	-
Total	\$ 4,198.3	\$ 3,882.3	\$ 12,703.5	\$ 11,850.2
Operating profit:				
North America Retail	\$ 581.6	\$ 518.3	\$ 1,749.5	\$ 1,674.4
Convenience Stores & Foodservice	96.7	84.3	303.4	275.6
Europe & Australia	24.4	27.3	81.4	84.8
Asia & Latin America	19.5	(2.1)	49.6	30.1
Pet	73.0	-	158.3	-
Total segment operating profit	795.2	627.8	2,342.2	2,064.9
Unallocated corporate items	48.8	50.8	239.3	166.8
Divestiture loss	35.4	-	35.4	-
Restructuring, impairment, and other exit costs	59.7	7.5	267.7	14.3
Operating profit	\$ 651.3	\$ 569.5	\$ 1,799.8	\$ 1,883.8

Net sales for our North America Retail operating units were as follows:

In Millions	Quarter Ended		Nine-Month Period Ended	
	Feb. 24, 2019	Feb. 25, 2018	Feb. 24, 2019	Feb. 25, 2018
U.S. Meals & Baking	\$ 1,027.8	\$ 1,010.6	\$ 3,039.9	\$ 3,063.3
U.S. Cereal	566.9	544.7	1,695.2	1,693.4
U.S. Snacks	497.6	504.2	1,535.4	1,587.7
U.S. Yogurt and Other	221.3	227.0	668.5	688.0
Canada	205.0	230.9	644.5	695.0
Total	\$ 2,518.6	\$ 2,517.4	\$ 7,583.5	\$ 7,727.4

Net sales by class of similar products were as follows:

In Millions	Quarter Ended		Nine-Month Period Ended	
	Feb. 24, 2019	Feb. 25, 2018	Feb. 24, 2019	Feb. 25, 2018
Snacks	\$ 815.6	\$ 819.1	\$ 2,502.8	\$ 2,514.5
Convenient meals	720.9	729.5	2,033.4	2,058.7
Cereal	668.4	649.4	2,000.6	2,009.8
Yogurt	533.0	574.3	1,630.4	1,722.0
Dough	442.3	441.7	1,309.0	1,304.7
Baking mixes and ingredients	401.7	398.1	1,255.6	1,279.1
Pet	346.8	-	1,025.3	-
Super-premium ice cream	157.1	153.3	607.4	584.4
Vegetables	66.2	66.9	204.1	226.2
Other	46.3	50.0	134.9	150.8
Total	\$ 4,198.3	\$ 3,882.3	\$ 12,703.5	\$ 11,850.2

(17) New Accounting Pronouncements

In the first quarter of fiscal 2019, we adopted new accounting requirements related to the presentation of net periodic defined benefit pension expense, net periodic postretirement benefit expense, and net periodic postemployment benefit expense (collectively net periodic benefit expense). The new standard requires the service cost component of net periodic benefit expense to be recorded in the same line items as other employee compensation costs within our Consolidated Statements of Earnings. Other components of net periodic benefit expense must be presented separately outside of operating profit in our Consolidated Statements of Earnings. In addition, the new standard requires that only the service cost component of net periodic benefit expense is eligible for capitalization. The new standard requires retrospective adoption of the presentation of net periodic benefit expense and prospective application of the capitalization of the service cost component. For the quarters ended February 24, 2019, and February 25, 2018, the impact of the adoption of this standard on our results of operations was a decrease to our operating profit of \$21.4 million and \$23.2 million and a corresponding increase to benefit plan non-service income of \$21.4 million and \$23.2 million, respectively. For the nine-month periods ended February 24, 2019, and February 25, 2018, the impact of the adoption of this standard on our results of operations was a decrease to our operating profit of \$63.3 million and \$64.5 million and a corresponding increase to benefit plan non-service income of \$63.3 million and \$64.5 million, respectively. There were no changes to our reported segment operating profit.

In the first quarter of fiscal 2019, we adopted new accounting requirements for the recognition of revenue from contracts with customers. Under the new standard, we apply a principles-based five step model to recognize revenue upon the transfer of control of promised goods to customers and in an amount that reflects the consideration for which we expect to be entitled to in exchange for those goods. The principles-based five step model includes: 1) identifying the contract(s) with a customer; 2) identifying the performance obligations in the contract; 3) determining the transaction price; 4) allocating the transaction price to the performance obligations in the contract; and 5) recognizing revenue when (or as) we satisfy a performance obligation.

Our revenues primarily result from contracts with customers, which are generally short-term and have a single performance obligation the delivery of product. We recognize revenue for the sale of packaged foods at the point in time when our performance obligation has been satisfied and control of the product has transferred to our customer, which generally occurs when the shipment is accepted by our customer. Sales include shipping and handling charges billed to the customer and are reported net of variable consideration and consideration payable to our customers,

including trade promotion, consumer coupon redemption and other costs, including estimated allowances for returns, unsalable product, and prompt pay discounts. Sales, use, value-added, and other excise taxes are not included in revenue. Trade promotions are recorded using significant judgment of estimated participation and performance levels for offered programs at the time of sale. Differences between estimated expenses and actual costs are recognized as a change in management estimate in a subsequent period. We generally do not allow a right of return. However, on a limited case-by-case basis with prior approval, we may allow customers to return product. In limited circumstances, product returned in saleable condition is resold to other customers or outlets. Receivables from customers generally do not bear interest. Payment terms and collection patterns are short-term, and vary around the world and by channel, and as such, we do not have any significant financing components. Our allowance for doubtful accounts represents our estimate of probable non-payments and credit losses in our existing receivables, as determined based on a review of past due balances and other specific account data. Account balances are written off against the allowance when we deem the amount is uncollectible. See Note 16 for disaggregation of our revenue into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. We do not have material contract assets or liabilities arising from our contracts with customers.

We utilized a comprehensive approach to evaluate and document the impact of the guidance on our current accounting policies and practices. We did not identify any material differences resulting from applying the new requirements to our revenue contracts. Additionally, we did not identify any significant changes to our business processes, systems, and controls to support recognition and disclosure requirements under the new guidance.

We adopted the requirements of the new standard and subsequent amendments to all contracts in the first quarter of fiscal 2019 using the cumulative effect approach. We recorded a \$33.9 million cumulative effect adjustment net of income tax effects to the opening balance of fiscal 2019 retained earnings, a decrease to deferred income taxes of \$11.4 million, and an increase to other current liabilities of \$45.3 million related to the timing of recognition of certain promotional expenditures.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

INTRODUCTION

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the MD&A included in our Annual Report on Form 10-K for the fiscal year ended May 27, 2018 for important background regarding, among other things, our key business drivers. Significant trademarks and service marks used in our business are set forth in *italics* herein. Certain terms used throughout this report are defined in the Glossary section below.

CONSOLIDATED RESULTS OF OPERATIONSThird Quarter Results

In the third quarter of fiscal 2019, net sales increased 8 percent compared to the same period last year, primarily reflecting the addition of Blue Buffalo Pet Products, Inc. (Blue Buffalo). In the third quarter of fiscal 2019, organic net sales increased 1 percent compared to the same period last year. Operating profit margin of 15.5 percent increased 80 basis points, primarily driven by favorable net price realization and mix across all segments and the addition of Blue Buffalo, partially offset by increased restructuring expense and a divestiture loss. Adjusted operating profit margin increased 230 basis points to 17.4 percent compared to the same period last year, primarily driven by favorable net price realization and mix across all segments and the addition of Blue Buffalo. Diluted earnings per share of \$0.74 decreased 54 percent compared to the third quarter of fiscal 2018 and adjusted diluted earnings per share of \$0.83, which excludes certain items affecting comparability, on a constant-currency basis increased 6 percent compared to the third quarter last year. See the Non-GAAP Measures section below for a description of our use of measures not defined by GAAP.

A summary of our consolidated financial results for the third quarter of fiscal 2019 follows:

Quarter Ended Feb. 24, 2019	In millions, except per share	Quarter Ended Feb. 24, 2019 vs. Feb. 25, 2018	Percent of Net Sales	Constant- Currency Growth (a)
Net sales	\$ 4,198.3	8%		
Operating profit	651.3	14%	15.5%	
Net earnings attributable to General Mills	446.8	(52)%		
Diluted earnings per share	\$ 0.74	(54)%		
Constant-currency net sales growth rate (a)				10%
Organic net sales growth rate (a)		1%		
Total segment operating profit (a)	795.2	27%		27%
Adjusted operating profit (a)	729.7	24%	17.4%	25%
Diluted earnings per share, excluding certain items affecting comparability				
(a)	\$ 0.83	5%		6%

(a) See the Non-GAAP Measures section below for our use of measures not defined by GAAP.

Consolidated **net sales** were as follows:

	Quarter Ended		
	Feb. 24,	Feb. 24, 2019 vs	Feb. 25,
	2019	Feb. 25, 2018	2018
Net sales (in millions)	\$ 4,198.3	8 %	\$ 3,882.3
Contributions from volume growth (a)		5 pts	
Net price realization and mix		5 pts	
Foreign currency exchange		(2)pts	

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

The 8 percent increase in net sales in the third quarter of fiscal 2019 reflects, favorable net price realization and mix and higher contributions from volume growth including the impact of Blue Buffalo.

Organic net sales increased 1 percent in the third quarter of fiscal 2019 driven by favorable organic net price realization and mix partially offset by declining contributions from organic volume growth.

Components of organic net sales growth are shown in the following table:

Quarter Ended Feb. 24, 2019 vs.

Quarter Ended Feb. 25, 2018

Contributions from organic volume growth (a)	(2)pts
Organic net price realization and mix	3 pts

Organic net sales growth	1 pt
Foreign currency exchange	(2)pts
Acquisition and divestiture	9 pts
Net sales growth	8 pts

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

Cost of sales increased \$130 million from the third quarter of fiscal 2018 to \$2,755 million. The increase was primarily driven by a \$130 million increase due to higher volume and a \$12 million increase attributable to product rate and mix. We recorded a \$6 million net decrease in cost of sales related to the mark-to-market valuation of certain commodity positions and grain inventories in the third quarter of fiscal 2019 compared to a net increase of \$3 million in the third quarter of fiscal 2018. In addition, we recorded \$3 million of restructuring initiative project-related costs in the third quarter of fiscal 2018 (please refer to Note 3 to the Consolidated Financial Statements in Part I, Item 1 of this report).

Selling, general, and administrative (SG&A) expenses increased \$17 million to \$697 million in the third quarter of fiscal 2019 compared to the same period in fiscal 2018. The increase in SG&A expenses primarily reflects the addition of Blue Buffalo. SG&A expenses as a percent of net sales in the third quarter of fiscal 2019 decreased 90 basis points compared with the third quarter of fiscal 2018.

Divestiture loss totaled \$35 million from the sale of our *La Salteña* fresh pasta and refrigerated dough business in Argentina during the third quarter of fiscal 2019.

Restructuring, impairment, and other exit costs totaled \$60 million in the third quarter of fiscal 2019 compared to \$8 million in the same period last year. We recorded restructuring charges of \$59 million in the third quarter of fiscal 2019 related to actions to drive efficiencies in targeted areas of our global supply chain.

Benefit plan non-service income totaled \$21 million in the third quarter of fiscal 2019 compared to \$23 million in the same period last year. Please refer to Note 17 to the Consolidated Financial Statements in Part I, Item 1 of this report for additional information.

Interest, net for the third quarter of fiscal 2019 totaled \$131 million, up \$42 million from the third quarter of fiscal 2018, primarily driven by higher average debt balances due to financing for the Blue Buffalo acquisition.

The **effective tax rate** for the third quarter of fiscal 2019 was 17.7 percent compared to an 85.9 percent benefit for the third quarter of fiscal 2018. The 103.6 percentage point increase was primarily due to the one-time net benefit related to the Tax Cuts and Jobs Act (TCJA) in the third quarter of fiscal 2018. Our effective tax rate excluding certain items affecting comparability was 19.9 percent in the third quarter of fiscal 2019 compared to 15.2 percent in the third quarter of fiscal 2018 (see the Non-GAAP Measures section below for a description of our use of measures not defined by GAAP).

The TCJA includes provisions affecting our fiscal 2019 effective tax rate, including but not limited to: a reduction in the U.S. corporate tax rate on domestic operations to 21 percent; a provision that taxes U.S. allocated expenses and certain income from foreign operations (GILTI); a limitation on deductible interest expense; the repeal of the domestic manufacturing deduction; and a limitation on the deductibility of certain executive compensation. In the third quarter of fiscal 2019, we completed our accounting for the tax effects of the TCJA and recorded a benefit of \$7 million which included adjustments to the transition tax and the measurement of our net U.S. deferred tax liability.

After-tax earnings from joint ventures for the third quarter of fiscal 2019 decreased 29 percent to \$12 million compared to \$17 million in the same period in fiscal 2018, primarily driven by our \$4 million after-tax share of restructuring charges at Cereal Partners Worldwide (CPW), and lower net sales and higher input costs for Häagen-Dazs Japan, Inc. (HDJ). On a constant-currency basis, after-tax earnings from joint ventures decreased 32 percent, including the CPW restructuring charge (see the **Non-GAAP Measures** section below for a description of our use of measures not defined by GAAP). The components of our joint ventures net sales growth are shown in the following table:

Quarter Ended Feb. 24, 2019 vs.**Quarter Ended Feb. 25, 2018**

	CPW	HDJ	Total
Contributions from volume growth (a)	(1)pt	(5)pts	
Net price realization and mix	3 pts	Flat	
Net sales growth in constant currency	2 pts	(5)pts	Flat
Foreign currency exchange	(8)pts	(1)pt	(6)pts
Net sales growth	(6)pts	(6)pts	(6)pts

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

Average diluted shares outstanding increased by 22 million in the third quarter of fiscal 2019 from the same period a year ago due to the impact of the share issuance to partially fund the acquisition of Blue Buffalo and option exercises.

Nine-Month Results

In the nine-month period ended February 24, 2019, net sales increased 7 percent compared to the same period last year, primarily reflecting the addition of Blue Buffalo. Organic net sales were flat in the nine-month period ended February 24, 2019. Operating profit margin of 14.2 percent decreased 170 basis points from year-ago levels primarily driven by impairment charges recorded for certain intangible and manufacturing assets, the purchase accounting inventory adjustment related to our acquisition of Blue Buffalo, increased restructuring expense, and a divestiture loss. Adjusted operating profit margin increased 60 basis points to 16.8 percent, primarily driven by favorable net price realization and mix and a decrease in SG&A expenses in our North America Retail segment. Diluted earnings per share of \$1.96 decreased 36 percent in the nine-month period ended February 24, 2019, and adjusted diluted earnings per share of \$2.39, which excludes certain items affecting comparability, on a constant-currency basis increased 3 percent compared to the same period last year (see the **Non-GAAP Measures** section below for a description of our use of measures not defined by GAAP).

A summary of our consolidated financial results for the nine-month period ended February 24, 2019, follows:

Nine-Month Period Ended Feb. 24, 2019	Nine-Month Period Ended		Constant-Currency Growth (a)
	In millions, except per share	Feb. 24, 2019 vs Feb. 25, 2018	
Net sales	\$ 12,703.5	7 %	
Operating profit	1,799.8	(4) %	14.2 %
Net earnings attributable to General Mills	1,182.5	(33) %	
Diluted earnings per share	\$ 1.96	(36) %	
Constant-currency net sales growth rate (a)			9 %

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Organic net sales growth rate (a)		Flat		
Total segment operating profit (a)	2,342.2	13 %		13 %
Adjusted operating profit (a)	2,136.2	11 %	16.8 %	11 %
Diluted earnings per share,				
excluding certain items affecting comparability (a)	\$ 2.39	3 %		3 %

(a) See the Non-GAAP Measures section below for our use of measures not defined by GAAP.

Consolidated **net sales** were as follows:

	Nine-Month Period Ended		
	Feb. 24,	Feb. 24, 2019 vs	Feb. 25,
	2019	Feb. 25, 2018	2018
Net sales (in millions)	\$ 12,703.5	7 %	\$ 11,850.2
Contributions from volume growth (a)		4 pts	
Net price realization and mix		5 pts	
Foreign currency exchange		(2)pts	

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

The 7 percent increase in net sales for the nine-month period ended February 24, 2019, reflects favorable net price realization and mix and higher contributions from volume growth including the impact of Blue Buffalo.

Organic net sales were flat in the nine-month period ended February 24, 2019, driven by favorable organic net price realization and mix offset by declining contributions from organic volume growth.

Components of organic net sales growth are shown in the following table:

**Nine-Month Period Ended Feb. 24, 2019 vs.
Nine-Month Period Ended Feb. 25, 2018**

Contributions from organic volume growth (a)	(2)pts
Organic net price realization and mix	2 pts
Organic net sales growth	Flat
Foreign currency exchange	(2)pts
Acquisition and divestiture	9 pts
Net sales growth	7 pts

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

Cost of sales increased \$574 million from the nine-month period ended February 25, 2018, to \$8,408 million. The increase was driven by a \$350 million increase due to higher volume and a \$151 million increase attributable to product rate and mix. We recorded a \$53 million charge in the nine-month period ended February 24, 2019, related to the fair value adjustment of inventory acquired in the Blue Buffalo acquisition. We recorded a \$36 million net increase in cost of sales related to the mark-to-market valuation of certain commodity positions and grain inventories in the nine-month period ended February 24, 2019, compared to a net decrease of \$4 million in the nine-month period ended February 25, 2018. We recorded \$13 million of restructuring charges in the nine-month period ended February 25, 2018. We also recorded \$1 million of restructuring initiative project-related costs in the nine-month period ended February 24, 2019, compared to \$8 million of restructuring initiative project-related costs in the nine-month period ended February 25, 2018 (please refer to Note 3 to the Consolidated Financial Statements in Part I, Item 1 of this report).

SG&A expenses increased \$75 million to \$2,193 million in the nine-month period ended February 24, 2019, compared to the same period in fiscal 2018. The increase in SG&A expenses primarily reflects the addition of Blue Buffalo. SG&A expenses as a percent of net sales in the nine-month period ended February 24, 2019, decreased 60 basis points compared with the same period of fiscal 2018.

Divestiture loss totaled \$35 million from the sale of our *La Salteña* fresh pasta and refrigerated dough business in Argentina during the third quarter of fiscal 2019.

Restructuring, impairment, and other exit costs totaled \$268 million in the nine-month period ended February 24, 2019, compared to \$14 million in the same period last year. We recorded restructuring charges of \$59 million in the nine-month period ended February 24, 2019 related to actions to drive efficiencies in targeted areas of our global supply chain. We also recorded impairment charges of \$193 million in fiscal 2019 related to the *Progreso*, *Food Should Taste Good*, and *Mountain High* brand intangible assets driven by lower future sales projections in our long-range plans for the businesses supporting these brand intangible assets. In addition, we recorded \$14 million of charges related to the impairment of certain manufacturing assets within the North America Retail segment in the nine-month period ended February 24, 2019.

Benefit plan non-service income totaled \$63 million in the nine-month period ended February 24, 2019, compared to \$64 million in the same period last year. Please refer to Note 17 to the Consolidated Financial Statements in Part I, Item 1 of this report for additional information.

Interest, net for the nine-month period ended February 24, 2019, increased \$160 million to \$397 million compared to the same period of fiscal 2018, primarily driven by higher average debt balances due to financing for the Blue Buffalo acquisition.

The **effective tax rate** for the nine-month period ended February 24, 2019, was 21.4 percent compared to a 1.7 percent benefit for the same period last year. The 23.1 percentage point increase was primarily due to the net benefit related to the TCJA in fiscal 2018. Our effective tax rate excluding certain items affecting comparability was 22.2 percent in the nine-month period ended February 24, 2019, compared to 25.4 percent in the same period of fiscal 2018. See the **Non-GAAP Measures** section below for a description of our use of measures not defined by GAAP.

The TCJA includes provisions affecting our fiscal 2019 effective tax rate, including but not limited to: a reduction in the U.S. corporate tax rate on domestic operations to 21 percent; a provision that taxes U.S. allocated expenses and certain income from foreign operations (GILTI); a limitation on deductible interest expense; the repeal of the domestic manufacturing deduction; and a limitation on the deductibility of certain executive compensation. In the third quarter of fiscal 2019, we completed our accounting for the tax effects of the TCJA and recorded a benefit of \$7 million which included adjustments to the transition tax and the measurement of our net U.S. deferred tax liability.

After-tax earnings from joint ventures decreased 19 percent to \$52 million for the nine-month period ended February 24, 2019, compared to \$64 million in the same period in fiscal 2018, primarily driven by our \$9 million after-tax share of restructuring charges at CPW and lower net sales and higher input costs for HDJ. On a constant-currency basis, after-tax earnings from joint ventures decreased 19 percent (see the **Non-GAAP Measures** section below for a description of our use of measures not defined by GAAP). The components of our joint ventures net sales growth are shown in the following table:

Nine-Month Period Ended Feb. 24, 2019 vs.

Nine-Month Period Ended Feb. 25, 2018	CPW	HDJ	Total
Contributions from volume growth (a)	(1)pt	(1)pt	
Net price realization and mix	1 pt	(5)pts	
Net sales growth in constant currency	Flat	(6)pts	(1)pt
Foreign currency exchange	(4)pts	Flat	(4)pts
Net sales growth	(4)pts	(6)pts	(5)pts

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

Average diluted shares outstanding increased by 21 million in the nine-month period ended February 24, 2019, compared to the same period a year ago due to the impact of the share issuance to partially fund the acquisition of Blue Buffalo and option exercises.

SEGMENT OPERATING RESULTS

Our businesses are organized into five operating segments: North America Retail; Convenience Stores & Foodservice; Europe & Australia; Asia & Latin America; and Pet. We are reporting the Pet operating segment results on a one-month lag and accordingly, our fiscal 2018 results do not include Pet segment operating results. Please refer to Note 16 of the Consolidated Financial Statements in Part I, Item 1 of this report for a description of our operating segments.

North America Retail Segment Results

North America Retail net sales were as follows:

	Quarter Ended			Nine-Month Period Ended		
	Feb. 24, 2019 vs			Feb. 24, 2019 vs		
	Feb. 24, 2019	Feb. 25, 2018	Feb. 25, 2018	Feb. 24, 2019	Feb. 25, 2018	Feb. 25, 2018
Net sales (in millions)	\$ 2,518.6	Flat	\$ 2,517.4	\$ 7,583.5	(2)%	\$ 7,727.4
Contributions from volume growth (a)		(2)pts			(3)pts	
Net price realization and mix		2pts			2 pts	
Foreign currency exchange		Flat			(1)pt	

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

North America Retail net sales were flat in the third quarter of fiscal 2019 compared to the same period in fiscal 2018, driven by favorable net price realization and mix offset by a decrease in contributions from volume growth.

North America Retail net sales decreased 2 percent in the nine-month period ended February 24, 2019, compared to the same period in fiscal 2018, primarily driven by a decrease in contributions from volume growth and unfavorable foreign currency exchange partially offset by favorable net price realization and mix.

The components of North America Retail organic net sales growth are shown in the following table:

	Quarter Ended	Nine-Month
	Feb. 24, 2019	Period Ended
		Feb. 24, 2019
Contributions from organic volume growth (a)	(2)pts	(3)pts
Organic net price realization and mix	2pts	2pts
Organic net sales growth	Flat	(1)pt
Foreign currency exchange	Flat	(1)pt
Divestiture (b)	Flat	Flat
Net sales growth	Flat	(2)pts

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

(b) Related to the divestiture of North American Green Giant product lines.

North America Retail organic net sales were flat in the third quarter of fiscal 2019 compared to the same period in fiscal 2018, driven by favorable organic net price realization and mix offset by a decrease in contributions from organic volume growth.

North America Retail organic net sales decreased 1 percent in the nine-month period ended February 24, 2019, compared to the same period in fiscal 2018, driven by a decrease in contributions from organic volume growth partially offset by favorable organic net price realization and mix.

North America Retail net sales percentage change by operating unit are shown in the following table:

	Quarter Ended	Nine-Month
	Feb. 24, 2019	Period Ended
		Feb. 24, 2019
U.S. Snacks	(1)%	(3)%
Canada (a)	(11)	(7)
U.S. Meals & Baking	2	(1)
U.S. Yogurt and Other	(2)	(3)
U.S. Cereal	4	Flat
Total	Flat	(2)%

(a) On a constant-currency basis, Canada net sales decreased 6 percent for the third quarter of fiscal 2019 and 4 percent for the nine-month period ended February 24, 2019. See the **Non-GAAP Measures** section below for our use of this measure not defined by GAAP.

Segment operating profit increased 12 percent to \$582 million in the third quarter of fiscal 2019 compared to \$518 million in the same period last year, driven by lower SG&A expenses and positive net price realization and mix. Segment operating profit increased 12 percent on a constant-currency basis in the third quarter of fiscal 2019, compared to the same period in fiscal 2018 (see the **Non-GAAP Measures** section below for our use of this measure not defined by GAAP).

Segment operating profit increased 4 percent to \$1,750 million in the nine-month period ended February 24, 2019, compared to \$1,674 million in the same period last year, primarily driven by lower SG&A expenses and positive net price realization and mix, partially offset by lower net sales. Segment operating profit increased 5 percent on a constant-currency basis in the nine-month period ended February 24, 2019, compared to the same period in fiscal 2018 (see the [Non-GAAP Measures](#) section below for our use of this measure not defined by GAAP).

Convenience Stores & Foodservice Segment Results

Convenience Stores & Foodservice net sales were as follows:

	Quarter Ended			Nine-Month Period Ended		
	Feb. 24, 2019 vs	Feb. 25, 2018	Feb. 25, 2018	Feb. 24, 2019 vs	Feb. 25, 2018	Feb. 25, 2018
	2019	2018	2018	2019	2018	2018
Net sales (in millions)	\$ 472.5	3 %	\$ 460.3	\$ 1,450.1	2 %	\$ 1,419.6
Contributions from volume growth (a)		(2)pts			(2)pts	
Net price realization and mix		5 pts			4 pts	

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

Convenience Stores & Foodservice net sales increased 3 percent in the third quarter of fiscal 2019 compared to the same period in fiscal 2018, driven by favorable net price realization and mix partially offset by a decrease in contributions from volume growth.

Convenience Stores & Foodservice net sales increased 2 percent in the nine-month period ended February 24, 2019, compared to the same period in fiscal 2018, driven by favorable net price realization and mix partially offset by a decrease in contributions from volume growth.

The components of Convenience Stores & Foodservice organic net sales growth are shown in the following table:

	Quarter Ended	Nine-Month Period Ended
	Feb. 24,	Feb. 24,
	2019	2019
Contributions from organic volume growth (a)	(2)pts	(2)pts
Organic net price realization and mix	5 pts	4 pts
Organic net sales growth	3 pts	2 pts
Net sales growth	3 pts	2 pts

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

Segment operating profit increased 15 percent to \$97 million in the third quarter of fiscal 2019 compared to \$84 million in the same period last year, primarily driven by positive net price realization and mix.

Segment operating profit increased 10 percent to \$303 million in the nine-month period ended February 24, 2019, compared to \$276 million in the same period last year, primarily driven by positive net price realization and mix.

Europe & Australia Segment Results

Europe & Australia net sales were as follows:

	Quarter Ended			Nine-Month		
	Feb. 24, 2019 vs.			Feb. 24, 2019 vs.		
	Feb. 24, 2019	Feb. 25, 2018	Feb. 25, 2018	Feb. 24, 2019	Feb. 25, 2018	Feb. 25, 2018
Net sales (in millions)	\$ 432.7	(8)%	\$ 469.8	\$ 1,387.2	(3)%	\$ 1,428.4
Contributions from volume growth (a)		(4)pts			(2)pts	
Net price realization and mix		2 pts			2 pts	
Foreign currency exchange		(6)pts			(3)pts	

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

Europe & Australia net sales decreased 8 percent in the third quarter of fiscal 2019 compared to the same period in fiscal 2018, driven primarily by unfavorable foreign currency exchange and a decrease in contributions from volume growth partially offset by favorable net price realization and mix.

Europe & Australia net sales decreased by 3 percent in the nine-month period ended February 24, 2019, compared to the same period in fiscal 2018, driven by unfavorable foreign currency exchange and a decrease in contributions from volume growth partially offset by favorable net price realization and mix.

The components of Europe & Australia organic net sales growth are shown in the following table:

	Nine-Month	
	Quarter Ended Period Ended	
	Feb.	Feb.
	24,	24,
	2019	2019
Contributions from organic volume growth (a)	(4)pts	(2)pts
Organic net price realization and mix	2 pts	2 pts
Organic net sales growth	(2)pts	Flat
Foreign currency exchange	(6)pts	(3)pts
Net sales growth	(8)pts	(3)pts

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

Europe & Australia organic net sales decreased 2 percent in the third quarter of fiscal 2019 compared to the same period in fiscal 2018, driven by a decrease in contributions from organic volume growth partially offset by favorable organic net price realization and mix.

Europe & Australia organic net sales were flat in the nine-month period ended February 24, 2019, compared to the same period in fiscal 2018, driven by favorable organic net price realization and mix offset by a decrease in contributions from organic volume growth.

Segment operating profit decreased 11 percent to \$24 million in the third quarter of fiscal 2019 compared to \$27 million in the third quarter of fiscal 2018 primarily driven by lower net sales and higher input costs, including currency-driven inflation on imported products in certain markets, partially offset by lower SG&A expenses. Segment operating profit decreased 1 percent on a constant-currency basis in the third quarter of fiscal 2019 compared to the same period in fiscal 2018 (see the **Non-GAAP Measures** section below for our use of this measure not defined by GAAP).

Segment operating profit decreased 4 percent to \$81 million in the nine-month period ended February 24, 2019, compared to \$85 million in the same period of fiscal 2018 primarily driven by higher input costs, including currency-driven inflation on imported products in certain markets, partially offset by lower SG&A expenses. Segment operating profit in the nine-month period ended February 24, 2019, was flat on a constant-currency basis compared to the same period in fiscal 2018 (see the **Non-GAAP Measures** section below for our use of this measure not defined by GAAP).

Asia & Latin America Segment Results

Asia & Latin America net sales were as follows:

Quarter Ended	Nine-Month
	Period Ended

	Feb. 24, 2019	Feb. 24, 2019 vs. Feb. 25, 2018	Feb. 25, 2018	Feb. 24, 2019	Feb. 24, 2019 vs. Feb. 25, 2018	Feb. 25, 2018
Net sales (in millions)	\$ 427.7	(2)%	\$ 434.8	\$ 1,257.4	(1)%	\$ 1,274.8
Contributions from volume growth (a)		2 pts			3 pts	
Net price realization and mix		4 pts			4 pts	
Foreign currency exchange		(8)pts			(8)pts	

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

Asia & Latin America net sales decreased 2 percent in the third quarter of fiscal 2019 compared to the same period last year, driven primarily by unfavorable foreign currency exchange partially offset by favorable net price realization and mix and an increase in contributions from volume growth.

Asia & Latin America net sales decreased 1 percent in the nine-month period ended February 24, 2019, compared to the same period last year, driven primarily by unfavorable foreign currency exchange partially offset by favorable net price realization and mix and an increase in contributions from volume growth.

The components of Asia & Latin America organic net sales growth are shown in the following table:

	Nine-Month Quarter Ended	
	Period Ended Feb. 24, 2019	Period Ended Feb. 24, 2019
Contributions from organic volume growth (a)	3 pts	3 pts
Organic net price realization and mix	4 pts	4 pts
Organic net sales growth	7 pts	7 pts
Foreign currency exchange	(8)pts	(8)pts
Divestiture	(1)pt	Flat
Net sales growth	(2)pts	(1)pt

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

Asia & Latin America organic net sales increased 7 percent in the third quarter of fiscal 2019 compared to the same period in fiscal 2018, primarily driven by favorable organic net price realization and mix and an increase in contributions from organic volume growth.

Asia & Latin America organic net sales increased 7 percent in the nine-month period ended February 24, 2019, compared to the same period last year, driven by favorable organic net price realization and mix and an increase in contributions from organic volume growth.

Segment operating profit increased to \$20 million in the third quarter of fiscal 2019 compared to a \$2 million loss in the third quarter of fiscal 2018 primarily driven by favorable net price realization and mix and lower SG&A expenses partially offset by higher input costs.

Segment operating profit increased 65 percent to \$50 million in the nine-month period ended February 24, 2019, compared to \$30 million in the same period last year primarily driven by favorable net price realization and mix and lower SG&A expenses partially offset by higher input costs. Segment operating profit increased 42 percent on a constant-currency basis in the nine-month period ended February 24, 2019, compared to the same period in fiscal 2018 (see the Non-GAAP Measures section below for our use of this measure not defined by GAAP).

Pet Segment Results

Pet net sales were as follows:

	Quarter Ended		Nine-Month Period Ended	
	Feb. 24, 2019	Feb. 25, 2018	Feb. 24, 2019	Feb. 25, 2018
Net sales (in millions)	\$ 346.8	\$ -	\$ 1,025.3	\$ -

Pet net sales and operating profit in the third quarter of fiscal 2019 totaled \$347 million and \$73 million respectively. Pet operating profit includes \$3 million of amortization of the customer list intangible asset.

Pet net sales and operating profit in the nine-month period ended February 24, 2019 were \$1,025 million and \$158 million respectively. The nine-month period ended February 24, 2019 includes results for 7 days of the month of acquisition. Segment operating profit in the nine-month period ended February 24, 2019 includes a \$53 million purchase accounting adjustment related to inventory acquired and \$10 million of amortization of the customer list intangible asset.

UNALLOCATED CORPORATE ITEMS

Unallocated corporate expense totaled \$49 million in the third quarter of fiscal 2019 compared to \$51 million in the same period in fiscal 2018. During the third quarter of fiscal 2019, we recorded a \$16 million legal recovery related to our Yoplait SAS subsidiary. We also recorded \$6 million of integration costs in the third quarter of fiscal 2019 and \$4 million of acquisition transaction costs in the same period last year related to the acquisition of Blue Buffalo. We recorded a \$6 million net decrease in expense related to the mark-to-market valuation of certain commodity positions and grain inventories in the third quarter of fiscal 2019 compared to a \$3 million net increase in expense in the same period last year. In addition, we recorded \$3 million of restructuring initiative project-related costs in cost of sales during the third quarter of 2018.

Unallocated corporate expense totaled \$239 million in the nine-month period ended February 24, 2019, compared to \$167 million in the same period last year. We recorded a \$36 million net increase in expense related to the mark-to-market valuation of certain commodity positions and grain inventories in the nine-month period ended February 24, 2019, compared to a \$4 million net decrease in expense in the same period last year. We also recorded \$21 million of integration costs in the nine-month period ended February 24, 2019, and \$4 million of acquisition transaction costs in the same period last year related to the acquisition of Blue Buffalo. In the nine-month period ended February 24, 2019, we recorded a \$16 million gain from a legal recovery related to our Yoplait SAS subsidiary and \$13 million of gains related to certain investment valuation adjustments. In the nine-month period ended February 25, 2018, we recorded \$13 million of restructuring charges and \$8 million of restructuring initiative project related costs in cost of sales. In addition, in the nine-month period ended February 24, 2019, we recorded a \$3 million loss related to the impact of hyperinflationary accounting for our Argentina subsidiary.

LIQUIDITY

During the nine-month period ended February 24, 2019, cash provided by operations was \$2,028 million compared to \$2,135 million in the same period last year. The \$107 million decrease was primarily driven by a \$358 million change in current assets and liabilities, partially offset by a \$240 million change in non-cash restructuring, impairment, and other exit costs. The \$358 million change in current assets and liabilities was primarily driven by a \$336 million change in the timing of accounts payable.

Cash used by investing activities during the nine-month period ended February 24, 2019, was \$408 million, compared to \$425 million for the same period in fiscal 2018. Investments of \$368 million in land, buildings and equipment in the nine-month period ended February 24, 2019, decreased \$30 million compared to the same period a year ago. In addition, we made \$49 million of other investments, primarily by our venture capital fund during the nine-month period ended February 24, 2019.

Cash used by financing activities during the nine-month period ended February 24, 2019, was \$1,458 million compared to \$1,570 million in the same period in fiscal 2018. We had \$724 million of net debt repayments in the nine-month period ended February 24, 2019, compared to \$137 million of net debt repayments in the same period a year ago. Sodial International (Sodial) made an additional investment of \$56 million in our Yoplait SAS subsidiary during the nine-month period ended February 24, 2019. We paid \$884 million of dividends in the first nine months of fiscal 2019 compared to \$846 million in the same period last year. In addition, we paid \$601 million in cash to repurchase common stock during the nine-month period ended February 25, 2018.

As of February 24, 2019, we had \$481 million of cash and cash equivalents held in foreign jurisdictions. Historically, we have not provided deferred taxes on a significant portion of our unremitted earnings. In connection with the TCJA, we have re-evaluated our assertion and have concluded that although earnings prior to fiscal 2018 will remain permanently reinvested, we will no longer make a permanent reinvestment assertion beginning with our fiscal 2018 earnings. In fiscal 2018 we recorded a provisional estimate for local country withholding taxes related to certain

entities from which we began repatriating undistributed earnings and will continue to record local country withholding taxes on all future earnings.

CAPITAL RESOURCES

Our capital structure was as follows:

In Millions	Feb. 24, 2019	May 27, 2018
Notes payable	\$ 1,971.3	\$ 1,549.8
Current portion of long-term debt	1,407.2	1,600.1
Long-term debt	11,642.6	12,668.7
Total debt	15,021.1	15,818.6
Redeemable interest	548.9	776.2
Noncontrolling interests	319.0	351.3
Stockholders' equity	6,930.4	6,141.1
Total capital	\$ 22,819.4	\$ 23,087.2

To ensure availability of funds, we maintain bank credit lines sufficient to cover our outstanding notes payable. Commercial paper is a continuing source of short-term financing. We have commercial paper programs available to us in the United States and Europe. We also have committed, uncommitted, and asset-backed credit lines that support our foreign operations.

The following table details the fee-paid committed and uncommitted credit lines we had available as of February 24, 2019:

In Billions	Facility Amount	Borrowed Amount
Credit facility expiring:		
May 2022	\$ 2.7	\$ -
June 2019	0.2	-
Total committed credit facilities	2.9	-
Uncommitted credit facilities	0.7	0.2
Total committed and uncommitted credit facilities	\$ 3.6	\$ 0.2

The third-party holder of the General Mills Cereals, LLC (GMC) Class A Interests receives quarterly preferred distributions from available net income based on the application of a floating preferred return rate to the holder's capital account balance established in the most recent mark-to-market valuation (currently \$252 million). On June 1, 2018, the floating preferred return rate on GMC's Class A Interests was reset to the sum of three-month LIBOR plus 142.5 basis points. The preferred return rate is adjusted every three years through a negotiated agreement with the Class A Interest holder or through a remarketing auction.

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

We have a 51 percent controlling interest in Yoplait SAS and a 50 percent interest in Yoplait Marques SNC and Libert  Marques S rl. Sodiaal holds the remaining interests in each of these entities. We consolidate these entities into our consolidated financial statements. As of February 24, 2019, we recorded Sodiaal's 50 percent interests in Yoplait

Marques SNC and Liberté Marques Sàrl as noncontrolling interests, and the redemption value of its 49 percent interest in Yoplait SAS as a redeemable interest on our Consolidated Balance Sheets. These euro- and Canadian dollar-denominated interests are reported in U.S. dollars on our Consolidated Balance Sheets. Sodiaal has the ability to put all or a portion of its redeemable interest to us at fair value once per year, up to three times before December 2024. As of February 24, 2019, the redemption value of the redeemable interest was \$549 million, which approximates its fair value.

During the second quarter of fiscal 2019, Sodiaal made an additional investment of \$56 million in Yoplait SAS.

Certain of our long-term debt agreements, our credit facilities, and our noncontrolling interests contain restrictive covenants. As of February 24, 2019, we were in compliance with all of these covenants.

We have \$1,407 million of long-term debt maturing in the next 12 months that is classified as current, including 300.0 million euro-denominated floating-rate notes due March 2019, \$500 million of 2.2 percent notes due October 2019, and 500.0 million euro-

denominated floating-rate notes due January 2020. We believe that cash flows from operations, together with available short- and long-term debt financing, will be adequate to meet our liquidity and capital needs for at least the next 12 months.

In March 2019, subsequent to the end of our fiscal third quarter, we issued 300.0 million principal amount of 0.0 percent fixed-rate notes due January 15, 2020. We may redeem the notes if certain tax laws change and we would be obligated to pay additional amounts on the notes. These notes are senior unsecured obligations that include a change of control repurchase provision. We intend to use the net proceeds, together with cash on hand, to repay our floating rate notes due March 2019.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

There were no material changes outside the ordinary course of our business in our contractual obligations or off-balance sheet arrangements during the third quarter of fiscal 2019.

SIGNIFICANT ACCOUNTING ESTIMATES

Our significant accounting policies are described in Note 2 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 27, 2018. The accounting policies used in preparing our interim fiscal 2019 Consolidated Financial Statements are the same as those described in our Form 10-K with the exception of the new accounting requirements adopted in the first quarter of fiscal 2019 related to the presentation of net periodic benefit expense, net periodic postretirement benefit expense, and net periodic postemployment benefit expense and to revenue recognition. Please see Note 17 to the Consolidated Financial Statements in Part I, Item 1 of this report for additional information.

Our significant accounting estimates are those that have meaningful impact on the reporting of our financial condition and results of operations. These estimates include our accounting for promotional expenditures, valuation of long-lived assets, intangible assets, redeemable interest, stock-based compensation, income taxes, and defined benefit pension, other postretirement benefit, and postemployment benefit plans. The assumptions and methodologies used in the determination of those estimates as of February 24, 2019, are the same as those described in our Annual Report on Form 10-K for the fiscal year ended May 27, 2018, with the exception of the new accounting requirements adopted in the first quarter of fiscal 2019 for presentation of net periodic defined benefit pension expense, net periodic postretirement benefit expense and net periodic postemployment benefit expense, and revenue recognition. See Note 17 to the Consolidated Financial Statements in Part I, Item 1 of this report for additional information.

On December 22, 2017, the TCJA was signed into law. The TCJA results in significant revisions to the U.S. corporate income tax system, including a reduction in the U.S. corporate income tax rate, implementation of a territorial system, and a one-time deemed repatriation tax on untaxed foreign earnings. The TCJA also resulted in a U.S. federal statutory tax rate of 21 percent in fiscal 2019. Generally, the impacts of the new legislation would be required to be recorded in the period of enactment, which for us was the third quarter of fiscal 2018. However, Accounting Standards Update 2018-05: *Income Taxes (Topic 740)* (ASU 2018-05) was issued with guidance allowing for the recognition of provisional amounts in the event that the accounting is not complete and a reasonable estimate can be made. The guidance allows for a measurement period of up to one year from the enactment date to finalize the accounting related to the TCJA. As of February 24, 2019, we have completed our accounting for the tax effects of the TCJA. See Note 15 to the Consolidated Financial Statements in Part I, Item 1 of this report for additional information.

We performed our annual goodwill and indefinite-lived intangible assets impairment test as of the first day of the second quarter of fiscal 2019. As a result of lower sales projections in our long-range plans for the businesses supporting the *Progresso*, *Food Should Taste Good*, and *Mountain High* brand intangible assets, we recorded the following impairment charges:

In Millions	Impairment Charge	Fair Value as of Nov. 25, 2018
<i>Progresso</i>	\$ 132.1	\$ 330.0
<i>Food Should Taste Good</i>	45.1	-
<i>Mountain High</i>	15.4	-
Total	\$ 192.6	\$ 330.0

Significant assumptions used in that assessment included our long-range cash flow projections for the businesses, royalty rates, weighted average cost of capital rates, and tax rates.

All other intangible asset fair values were substantially in excess of the carrying values, except for the Latin America reporting unit and the *Yoki* brand intangible asset. The excess fair values as of the fiscal 2019 test date of the Latin America reporting unit and the *Yoki* brand intangible asset were as follows:

In Millions	Carrying Value of Intangible Asset	Excess Fair Value as of Fiscal 2019 Test Date
Latin America	\$ 209.0	7%
<i>Yoki</i>	\$ 49.1	10%

While having significant coverage as of our fiscal 2019 assessment date, the *Pillsbury* brand intangible asset and U.S. Yogurt reporting unit had risk of decreasing coverage. We will continue to monitor these businesses for potential impairment.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In August 2017, the Financial Accounting Standards Board (FASB) issued new hedge accounting requirements. The new standard amends the hedge accounting recognition and presentation requirements to better align an entity's risk management activities and financial reporting. The new standard also simplifies the application of hedge accounting guidance. The requirements of the new standard are effective for annual reporting periods beginning after December 15, 2018, and interim periods within those annual periods, which for us is the first quarter of fiscal 2020. Early adoption is permitted. We do not expect this guidance to have a material impact on our results of operations or financial position.

In February 2016, the FASB issued new accounting requirements for accounting, presentation and classification of leases. This will result in most leases being capitalized as a right of use asset with a related liability on our Consolidated Balance Sheets. The requirements of the new standard and subsequent amendments are effective for annual reporting periods beginning after December 15, 2018, and interim periods within those annual periods, which for us is the first quarter of fiscal 2020. The requirements of the new standard and subsequent amendments allow for either the modified retrospective transition approach, which requires application of the guidance in all comparative periods presented, or the cumulative effect adjustment approach, which requires application of the guidance at the adoption date. We are currently analyzing the impact of this standard on our results of operations and financial position by performing a comprehensive review of our lease portfolio. We are in the process of implementing lease accounting software, developing a centralized business process, and implementing corresponding controls. Based on our assessment to date, we expect this guidance will have a material impact on our Consolidated Balance Sheets due to the amount of our lease commitments but we are unable to reasonably estimate the expected financial impact at this time. We expect to adopt this guidance using the cumulative effect adjustment approach.

NON-GAAP MEASURES

We have included in this report measures of financial performance that are not defined by GAAP. We believe that these measures provide useful information to investors and include these measures in other communications to investors.

For each of these non-GAAP financial measures, we are providing below a reconciliation of the differences between the non-GAAP measure and the most directly comparable GAAP measure, an explanation of why we believe the non-GAAP measure provides useful information to investors, and any additional purposes for which we use the non-GAAP measure. These non-GAAP measures should be viewed in addition to, and not in lieu of, the comparable

GAAP measure.

Net Sales Growth Rates on Constant-Currency Basis

We believe that this measure of net sales provides useful information to investors because it provides transparency to the underlying performance by excluding the effect that foreign currency exchange rate fluctuations have on year-to-year comparability given volatility in foreign currency exchange markets.

Net sales growth rates on a constant-currency basis are calculated as follows:

	Percentage Change in Net Sales as Reported	Impact of Foreign Currency Exchange	Percentage Change in Net Sales on Constant- Currency Basis
Quarter Ended Feb. 24, 2019	8 %	(2) pts	10 %
Nine-Month Period Ended Feb. 24, 2019	7 %	(2) pts	9 %

Organic Net Sales Growth Rates

This measure is used in reporting to our executive management and as a component of the Board of Directors measurement of our performance for incentive compensation purposes. We provide organic net sales growth rates for our consolidated net sales and segment net sales. We believe that organic net sales growth rates provide useful information to investors because they provide transparency to underlying performance in our net sales by excluding the effect that foreign currency exchange rate fluctuations, as well as acquisitions, divestitures, and a 53rd week, when applicable, have on year-to-year comparability. A reconciliation of these measures to reported net sales growth rates, the relevant GAAP measures, are included in our Consolidated Results of Operations and Segment Operating Results discussions in the MD&A above.

Total Segment Operating Profit and Related Constant-Currency Growth Rate

This measure is used in reporting to our executive management and as a component of the Board of Directors measurement of our performance for incentive compensation purposes. We believe that this measure provides useful information to investors because it is the profitability measure we use to evaluate segment performance. A reconciliation of this measure to operating profit, the relevant GAAP measure, is included in Note 16 to the Consolidated Financial Statements in Part I, Item 1 of this report.

Constant-currency total segment operating profit growth is calculated as follows:

	Percentage Change in Total Segment Operating Profit as Reported	Impact of Foreign Currency Exchange	Percentage Change in Total Segment Operating Profit on a Constant-Currency Basis
Quarter Ended Feb. 24, 2019	27 %	Flat	27 %
Nine-Month Period Ended Feb. 24, 2019	13 %	Flat	13 %

Adjusted Operating Profit as a Percent of Net Sales (Adjusted Operating Profit Margin) Excluding Certain Items Affecting Comparability

We believe this measure provides useful information to investors because it is important for assessing our operating profit margin on a comparable basis. The adjustments are either items resulting from infrequently occurring events or items that, in management's judgment, significantly affect the year-over-year assessment of operating results.

In Millions	Quarter Ended			
	Feb. 24, 2019		Feb. 25, 2018	
	Value	Percent of Net Sales	Value	Percent of Net Sales
Operating profit as reported	\$ 651.3	15.5 %	\$ 569.5	14.7 %
Mark-to-market effects (a)	(6.5)	(0.1) %	2.8	0.1 %
Restructuring charges (b)	58.6	1.4 %	7.6	0.1 %
Project-related costs (b)	0.1	- %	3.0	0.1 %
Asset impairments (b)	1.2	- %	-	- %
Acquisition transaction and integration costs (c)	5.8	0.1 %	3.5	0.1 %
Divestiture loss (c)	35.4	0.9 %	-	- %
Legal recovery (f)	(16.2)	(0.4) %	-	- %
Adjusted operating profit	\$ 729.7	17.4 %	\$ 586.4	15.1 %

In Millions	Nine-Month Period Ended			
	Feb. 24, 2019		Feb. 25, 2018	
	Value	Percent of Net Sales	Value	Percent of Net Sales
Operating profit as reported	\$ 1,799.8	14.2 %	\$ 1,883.8	15.9 %
Mark-to-market effects (a)	36.4	0.3 %	(3.5)	- %
Restructuring charges (b)	61.0	0.5 %	27.3	0.2 %
Project-related costs (b)	1.3	- %	8.4	0.1 %
Asset impairments (b)	207.0	1.6 %	-	- %
Acquisition transaction and integration costs (c)	21.3	0.1 %	3.5	- %
Divestiture loss (c)	35.4	0.3 %	-	- %
Hyperinflationary accounting (d)	3.2	- %	-	- %
Investment valuation adjustments (e)	(13.0)	(0.1) %	-	- %
Legal recovery (f)	(16.2)	(0.1) %	-	- %
Adjusted operating profit	\$ 2,136.2	16.8 %	\$ 1,919.5	16.2 %

(a) See Note 6 to the Consolidated Financial Statements in Part I, Item 1 of this report.

(b) See Note 3 to the Consolidated Financial Statements in Part I, Item 1 of this report.

(c) See Note 2 to the Consolidated Financial Statements in Part I, Item 1 of this report.

(d)

Represents the impact of hyperinflationary accounting for our Argentina subsidiary, which was sold in the third quarter of fiscal 2019.

(e) Represents valuation gains on certain corporate investments.

(f) Represents a legal recovery related to our Yoplait SAS subsidiary.

Adjusted Operating Profit Growth Excluding Certain Items Affecting Comparability on a Constant-Currency Basis

We believe that this measure provides useful information to investors because it is the operating profit measure we use to evaluate operating profit performance on a comparable year-over-year basis. The adjustments are either items resulting from infrequently occurring events or items that, in management's judgment, significantly affect the year-over-year assessment of operating results. Additionally, the adjustments are evaluated on a constant-currency basis by excluding the effect that foreign currency exchange rate fluctuations have on year-to-year comparability given the volatility in foreign currency exchange rates.

Our adjusted operating profit growth excluding certain items affecting comparability on a constant-currency basis is calculated as follows:

	Nine-Month	
	Quarter Ended	Period Ended
	Feb. 24, 2019	Feb. 24, 2019 vs.
	Feb. 25, 2018	Feb. 25, 2018
Operating profit growth as reported	14 pts	(4)pts
Mark-to-market effects (a)	(2)pts	2 pts
Restructuring charges (b)	9 pts	2 pts
Project-related costs (b)	Flat	(1)pt
Asset impairments (b)	Flat	11 pts
Acquisition transaction and integration costs (c)	Flat	1 pt
Divestiture loss (c)	6 pts	2 pts
Investment valuation adjustments (d)	Flat	(1)pt
Legal recovery (e)	(3)pts	(1)pt
Adjusted operating profit growth excluding items affecting comparability	24 pts	11 pts
Foreign currency exchange impact	(1)pt	Flat
Adjusted operating profit growth, excluding items affecting comparability, on a constant-currency basis	25 pts	11 pts

(a) See Note 6 to the Consolidated Financial Statements in Part I, Item 1 of this report.

(b) See Note 3 to the Consolidated Financial Statements in Part I, Item 1 of this report.

(c) See Note 2 to the Consolidated Financial Statements in Part I, Item 1 of this report.

(d) Represents valuation gains on certain corporate investments.

(e) Represents a legal recovery related to our Yoplait SAS subsidiary.

Diluted EPS Excluding Certain Items Affecting Comparability and Related Constant-Currency Growth Rate

This measure is used in reporting to our executive management and as a component of the Board of Directors measurement of our performance for incentive compensation purposes. We believe that this measure provides useful information to investors because it is the profitability measure we use to evaluate earnings performance on a comparable year-over-year basis. The adjustments are either items resulting from infrequently occurring events or items that, in management's judgment, significantly affect the year-over-year assessment of operating results.

The reconciliation of our GAAP measure, diluted EPS, to diluted EPS excluding certain items affecting comparability and the related constant-currency growth rate follows:

Per Share Data	Quarter Ended			Nine-Month Period Ended		
	Feb. 24, 2019	Feb. 25, 2018	Change	Feb. 24, 2019	Feb. 25, 2018	Change
Diluted earnings per share, as reported	\$ 0.74	\$ 1.62	(54) %	\$ 1.96	\$ 3.05	(36) %
Net tax benefit (a)	(0.01)	(0.86)		(0.01)	(0.86)	
Tax adjustment (b)	-	-		-	0.07	
Mark-to-market effects (c)	(0.01)	-		0.05	-	
Acquisition transaction and integration costs (d)	0.01	0.02		0.03	0.02	
Divestiture loss (d)	0.03	-		0.03	-	
CPW restructuring charges (e)	-	-		0.01	-	
Restructuring charges (f)	0.08	0.01		0.08	0.03	
Project-related costs (f)	-	-		-	0.01	
Asset impairments (f)	-	-		0.26	-	
Investment valuation adjustments (g)	-	-		(0.01)	-	
Legal recovery (h)	(0.01)	-		(0.01)	-	
Diluted earnings per share, excluding certain items affecting comparability	\$ 0.83	\$ 0.79	5 %	\$ 2.39	\$ 2.32	3 %
Foreign currency exchange impact			(1) pt			Flat
Diluted earnings per share growth, excluding certain items affecting comparability, on a constant-currency basis			6 %			3 %

(a) See Note 15 to the Consolidated Financial Statements in Part I, item 1 of this report.

(b) Represents a prior period adjustment recorded in the second quarter of fiscal 2018.

- (c) See Note 6 to the Consolidated Financial Statements in Part I, Item 1 of this report.
- (d) See Note 2 to the Consolidated Financial Statements in Part I, Item 1 of this report.
- (e) The CPW restructuring charges are related to initiatives designed to improve profitability and growth that were approved in fiscal 2018 and 2019.
- (f) See Note 3 to the Consolidated Financial Statements in Part I, Item 1 of this report.
- (g) Represents valuation gains on certain corporate investments.
- (h) Represents a legal recovery related to our Yoplait SAS subsidiary.

See our reconciliation below of the effective income tax rate as reported to the effective income tax rate excluding certain items affecting comparability for the tax impact of each item affecting comparability.

Constant-Currency After-tax Earnings from Joint Ventures Growth Rates

We believe that this measure provides useful information to investors because it provides transparency to underlying performance of our joint ventures by excluding the effect that foreign currency exchange rate fluctuations have on year-to-year comparability given volatility in foreign currency exchange markets.

After-tax earnings from joint ventures growth rates on a constant-currency basis is calculated as follows:

	Percentage Change in After-		Percentage Change in After-
	Tax Earnings from		Tax Earnings
	Joint		from Joint
	Ventures	Impact of Foreign	Ventures on
	as Reported	Currency	Constant-
		Exchange	Currency Basis
Quarter Ended Feb. 24, 2019	(29)%	3 pts	(32)%
Nine-Month Period Ended Feb. 24, 2019	(19)%	Flat	(19)%

Net Sales Growth Rates for Our Canada Operating Unit on Constant-Currency Basis

We believe that this measure of our Canada operating unit net sales provides useful information to investors because it provides transparency to the underlying performance for the Canada operating unit within our North America Retail segment by excluding the effect that foreign currency exchange rate fluctuations have on year-to-year comparability given volatility in foreign currency exchange markets.

Net sales growth rates for our Canada operating unit on a constant-currency basis are calculated as follows:

	Percentage Change in		
	Percentage Change in	Impact of Foreign	Net Sales on Constant-
	Net Sales	Currency	Currency
	as Reported	Exchange	Basis
Quarter Ended Feb. 24, 2019	(11)%	(5) pts	(6)%
Nine-Month Period Ended Feb. 24, 2019	(7)%	(3) pts	(4)%

Constant-Currency Segment Operating Profit Growth Rates

We believe that this measure provides useful information to investors because it provides transparency to underlying performance of our segments by excluding the effect that foreign currency exchange rate fluctuations have on year-to-year comparability given volatility in foreign currency exchange markets.

Our segments operating profit growth rates on a constant-currency basis are calculated as follows:

Quarter Ended Feb. 24, 2019

	Percentage Change in		Percentage Change in Operating
	Operating Profit	Impact of Foreign	Profit on
	as	Currency	Constant-Currency
	Reported	Exchange	Basis
North America Retail	12 %	Flat	12 %
Europe & Australia	(11)%	(10)pts	(1)%

Nine-Month Period Ended Feb. 24, 2019

	Percentage Change in Operating Profit	Impact of Foreign Currency Exchange	Percentage Change in Operating Profit on Constant-Currency Basis
	as Reported		
North America Retail	4 %	(1)pt	5 %
Europe & Australia	(4)%	(4)pts	Flat
Asia & Latin America	65 %	23 pts	42 %

Effective Income Tax Rate Excluding Certain Items Affecting Comparability

We believe this measure provides useful information to investors because it is important for assessing the effective tax rate excluding certain items affecting comparability and presents the income tax effects of certain items affecting comparability.

Effective income tax rates excluding certain items affecting comparability are calculated as follows:

	Quarter Ended				Nine-Month Period Ended			
	Feb. 24, 2019		Feb. 25, 2018		Feb. 24, 2019		Feb. 25, 2018	
	Pretax		Pretax		Pretax		Pretax	
	Earnings	Income	Earnings	Income	Earnings	Income	Earnings	Income
In Millions (Except Per Share Data)	(a)	Taxes	(a)	Taxes	(a)	Taxes	(a)	Taxes
As reported	\$541.9	\$95.8	\$503.4	\$(432.5)	\$1,466.1	\$313.1	\$1,711.7	\$(29.1)
Net tax benefit (b)	-	7.2	-	503.8	-	7.2	-	503.8
Mark-to-market effects (c)	(6.5)	(1.5)	2.8	1.2	36.4	8.4	(3.5)	(1.1)
Restructuring charges (d)	58.6	12.3	7.6	0.8	61.0	12.5	27.3	6.7
Project-related costs (d)	0.1	-	3.0	0.7	1.3	0.3	8.4	2.5
Asset impairments (d)	1.2	0.3	-	-	207.0	47.7	-	-
Acquisition transaction and integration costs (e)	5.8	1.3	19.4	5.6	21.3	4.9	19.4	5.6
Divestiture loss (e)	35.4	13.6	-	-	35.4	13.6	-	-
Tax adjustment (f)	-	-	-	1.7	-	-	-	(40.5)
Hyperinflationary accounting (g)	-	-	-	-	3.2	-	-	-
Investment valuation adjustments (h)	-	-	-	-	(13.0)	(3.0)	-	-
Legal recovery (i)	(16.2)	(5.4)	-	-	(16.2)	(5.4)	-	-
As adjusted	\$620.3	\$123.6	\$536.2	\$81.3	\$1,802.5	\$399.3	\$1,763.3	\$447.9
Effective tax rate:								
As reported		17.7%		(85.9%)		21.4%		(1.7%)
As adjusted		19.9%		15.2%		22.2%		25.4%
Sum of adjustment to income taxes		\$ 27.8		\$ 513.8		\$ 86.2		\$ 477.0
Average number of common shares - diluted EPS		604.5		582.7		604.0		583.2
Impact of income tax adjustments on diluted EPS excluding certain items affecting comparability		\$0.04		\$0.88		\$0.14		\$0.82

- (a) Earnings before income taxes and after-tax earnings from joint ventures.
- (b) See Note 15 to the Consolidated Financial Statements in Part 1, Item 1 of this report.
- (c) See Note 6 to the Consolidated Financial Statements in Part I, Item 1 of this report.
- (d) See Note 3 to the Consolidated Financial Statements in Part I, Item 1 of this report.
- (e) See Note 2 to the Consolidated Financial Statements in Part I, Item 1 of this report.
- (f) Represents a prior period adjustment recorded in the second quarter of fiscal 2018.
- (g) Represents the impact of hyperinflationary accounting for our Argentina subsidiary, which was sold in the third quarter of fiscal 2019.
- (h) Represents valuation gains on certain corporate investments.
- (i) Represents a legal recovery related to our Yoplait SAS subsidiary.

GLOSSARY

Accelerated depreciation associated with restructured assets. The increase in depreciation expense caused by updating the salvage value and shortening the useful life of depreciable fixed assets to coincide with the end of production under an approved restructuring plan, but only if impairment is not present.

Adjusted operating profit margin. Operating profit adjusted for certain items affecting year-over-year comparability, divided by net sales.

AOCI. Accumulated other comprehensive income (loss).

Constant currency. Financial results translated to U.S. dollars using constant foreign currency exchange rates based on the rates in effect for the comparable prior-year period. To present this information, current period results for entities reporting in currencies other

than United States dollars are translated into United States dollars at the average exchange rates in effect during the corresponding period of the prior fiscal year, rather than the actual average exchange rates in effect during the current fiscal year. Therefore, the foreign currency impact is equal to current year results in local currencies multiplied by the change in the average foreign currency exchange rate between the current fiscal period and the corresponding period of the prior fiscal year.

Derivatives. Financial instruments such as futures, swaps, options, and forward contracts that we use to manage our risk arising from changes in commodity prices, interest rates, foreign exchange rates, and stock prices.

Euribor. Euro Interbank Offered Rate.

Fair value hierarchy. For purposes of fair value measurement, we categorize assets and liabilities into one of three levels based on the assumptions (inputs) used in valuing the asset or liability. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's assumptions about the inputs used in pricing the asset or liability.

Fixed charge coverage ratio. The sum of earnings before income taxes and fixed charges (before tax), divided by the sum of the fixed charges (before tax) and interest.

Focus 6 platforms. The Focus 6 platforms for the Convenience Stores & Foodservice segment consist of cereal, yogurt, snacks, frozen meals, biscuits, and baking mixes.

Generally Accepted Accounting Principles (GAAP). Guidelines, procedures, and practices that we are required to use in recording and reporting accounting information in our financial statements.

Goodwill. The difference between the purchase price of acquired companies plus the fair value of any noncontrolling and redeemable interests and the related fair values of net assets acquired.

Hedge accounting. Accounting for qualifying hedges that allows changes in a hedging instrument's fair value to offset corresponding changes in the hedged item in the same reporting period. Hedge accounting is permitted for certain hedging instruments and hedged items only if the hedging relationship is highly effective, and only prospectively from the date a hedging relationship is formally documented.

Interest bearing instruments. Notes payable, long-term debt, including current portion, cash and cash equivalents, and certain interest bearing investments classified within prepaid expenses and other current assets and other assets.

LIBOR. London Interbank Offered Rate.

Mark-to-market. The act of determining a value for financial instruments, commodity contracts, and related assets or liabilities based on the current market price for that item.

Net mark-to-market valuation of certain commodity positions. Realized and unrealized gains and losses on derivative contracts that will be allocated to segment operating profit when the exposure we are hedging affects earnings.

Net price realization. The impact of list and promoted price changes, net of trade and other price promotion costs.

Noncontrolling interests. Interests of subsidiaries held by third parties.

Notional principal amount. The principal amount on which fixed-rate or floating-rate interest payments are calculated.

OCI. Other Comprehensive Income.

Organic net sales growth. Net sales growth adjusted for foreign currency translation, as well as acquisitions, divestitures and a 53rd week impact, when applicable.

Project-related costs. Costs incurred related to our restructuring initiatives not included in restructuring charges.

Redeemable interest. Interest of subsidiaries held by a third party that can be redeemed outside of our control and therefore cannot be classified as a noncontrolling interest in equity.

TCJA. U.S. Tax Cuts and Jobs Act which was signed into law on December 22, 2017.

Total debt. Notes payable and long-term debt, including current portion.

Translation adjustments. The impact of the conversion of our foreign affiliates' financial statements to U.S. dollars for the purpose of consolidating our financial statements.

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

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

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

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

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

You should also consider the risk factors that we identify in Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended May 27, 2018, which could also affect our future results.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The estimated maximum potential value-at-risk arising from a one-day loss in fair value for our interest rate, foreign exchange, commodity, and equity market-risk-sensitive instruments outstanding as of February 24, 2019 was \$50 million, \$18 million, \$2 million, and \$2 million, respectively. During the nine-month period ended February 24, 2019, the interest rate value-at-risk increased by \$17 million and the foreign exchange value-at-risk decreased by \$3 million, while commodity and equity value-at-risk were flat compared to these measures as of May 27, 2018. The value-at-risk for interest rate positions increased due to higher market volatility

and the value-at-risk for foreign exchange positions decreased due to decreased market volatility. For additional information, see Item 7A of Part II of our Annual Report on Form 10-K for the fiscal year ended May 27, 2018.

Item 4. Controls and Procedures.

We, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based on our evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of February 24, 2019, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is (1) recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during the quarter ended February 24, 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table sets forth information with respect to shares of our common stock that we purchased during the quarter ended February 24, 2019:

Period	Total Number of Shares Purchased (a)	Average Price Paid Per Share	Total Number of	
			Shares Purchased as Part of a Publicly Announced Program (b)	Maximum Number of Shares that may yet be Purchased Under the Program (b)
November 26, 2018				
December 30, 2018	-	\$ -	-	39,509,064
December 31, 2018				
January 27, 2019	6,072	38.94	6,072	39,502,992
January 28, 2019				
February 24, 2019	4,126	44.24	4,126	39,498,866
Total	10,198	\$ 41.08	10,198	39,498,866

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

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

- Item 6. Exhibits.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
 - 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
 - 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
 - 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
 - 101 Financial Statements from the Quarterly Report on Form 10-Q of the Company for the quarter ended February 24, 2019, formatted in Extensible Business Reporting Language: (i) Consolidated Statements of Earnings; (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets; (iv) Consolidated Statements of Total Equity and Redeemable Interest; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements.

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 March 20, 2019

/s/ Kofi A. Bruce
Kofi A. Bruce
Vice President, Controller
(Principal Accounting Officer and Duly Authorized
Officer)