FORM 10–Q

GENERAL MILLS INC – gis

Filed: January 05, 2007 (period: November 26, 2006)

Quarterly report which provides a continuing view of a company's financial position

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10–Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED NOVEMBER 26, 2006**

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

Commission file number: 1–1185

GENERAL MILLS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**41–0274440** (I.R.S. Employer Identification No.)
Number One General Mills Boulevard **Minneapolis, MN** (Mail: P.O. Box 1113) (Address of principal executive offices)	**55426** (Mail: 55440) (Zip Code)

(763) 764–7600

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non–accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b–2 of the Exchange Act. (Check one):
Large accelerated filer ☒ Accelerated filer ☐ Non–accelerated filer ☐

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

As of December 29, 2006, General Mills had 345,149,869 shares of its $.10 par value common stock outstanding (excluding 157,156,795 shares held in treasury).

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

GENERAL MILLS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

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

	Thirteen Weeks Ended		Twenty–six Weeks Ended	
	Nov. 26, 2006	**Nov. 27, 2005**	**Nov. 26, 2006**	**Nov. 27, 2005**
Net Sales	**$ 3,467**	$ 3,293	**$ 6,327**	$ 5,972
Cost of sales	**2,188**	2,090	**3,984**	3,776
Selling, general and administrative	**605**	559	**1,180**	1,091
Restructuring and other exit costs (income)	**(1)**	2	**(3)**	11
Operating Profit	**675**	642	**1,166**	1,094
Interest expense, net	**110**	104	**215**	194
Earnings before Income Taxes and After–tax Earnings from Joint Ventures	**565**	538	**951**	900
Income Taxes	**203**	190	**341**	319
After–tax Earnings from Joint Ventures	**23**	22	**42**	41
Net Earnings	**$ 385**	$ 370	**$ 652**	$ 622
Earnings per Share – Basic	**$ 1.12**	$ 1.04	**$ 1.87**	$ 1.73
Earnings per Share – Diluted	**$ 1.08**	$ .97	**$ 1.81**	$ 1.60
Dividends per Share	**$ .35**	$ .33	**$ .70**	$ .66

See accompanying notes to consolidated financial statements.

Source: GENERAL MILLS INC, 10–Q, January 05, 2007

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

	Nov. 26, 2006	May 28, 2006
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 492**	$ 647
Receivables	**1,291**	1,076
Inventories	**1,359**	1,055
Prepaid expenses and other current assets	**209**	216
Deferred income taxes	**148**	182
Total Current Assets	**3,499**	3,176
Land, Buildings and Equipment, at Cost	**5,892**	5,806
Less accumulated depreciation	**(2,974)**	(2,809)
Net Land, Buildings and Equipment	**2,918**	2,997
Goodwill	**6,636**	6,652
Other Intangible Assets	**3,665**	3,607
Other Assets	**2,045**	1,775
Total Assets	**$ 18,763**	$ 18,207
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	**$ 738**	$ 708
Current portion of long–term debt	**1,739**	2,131
Notes payable	**2,678**	1,503
Other current liabilities	**1,901**	1,796
Total Current Liabilities	**7,056**	6,138
Long–term Debt	**2,241**	2,415
Deferred Income Taxes	**1,801**	1,822
Other Liabilities	**982**	924
Total Liabilities	**12,080**	11,299
Minority Interests	**1,137**	1,136
Stockholders' Equity:		
Cumulative preference stock, none issued	**—**	—
Common stock, 502 shares issued, $.10 par value	**50**	50
Additional paid–in capital	**5,763**	5,653
Retained earnings	**5,512**	5,107
Common stock in treasury, at cost, shares of 158 and 146, respectively	**(5,875)**	(5,163)
Accumulated other comprehensive income	**96**	125
Total Stockholders' Equity	**5,546**	5,772
Total Liabilities and Equity	**$ 18,763**	$ 18,207

See accompanying notes to consolidated financial statements.

Source: GENERAL MILLS INC, 10–Q, January 05, 2007

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

	Twenty–six Weeks Ended	
	Nov. 26, 2006	**Nov. 27, 2005**
Cash Flows – Operating Activities		
Net earnings	**$ 652**	$ 622
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	**209**	211
Stock–based compensation	**81**	22
After–tax earnings from joint ventures	**(42)**	(41)
Tax benefit on exercised options	**—**	15
Deferred income taxes	**12**	(3)
Changes in current assets and liabilities	**(359)**	(77)
Distributions of joint venture earnings	**10**	24
Pension and other postretirement costs	**(28)**	(28)
Restructuring and other exit costs	**(3)**	11
Other, net	**33**	31
Net Cash Provided by Operating Activities	**565**	787
Cash Flows – Investing Activities		
Purchases of land, buildings and equipment	**(149)**	(113)
Acquisitions	**(58)**	—
Investments in affiliates, net	**(112)**	4
Proceeds from sale of marketable securities	**—**	1
Proceeds from divestitures	**12**	—
Proceeds from disposal of land, buildings and equipment	**12**	2
Other, net	**(13)**	(29)
Net Cash Used by Investing Activities	**(308)**	(135)
Cash Flows – Financing Activities		
Change in notes payable	**1,159**	1,780
Payment of long–term debt	**(582)**	(1,333)
Common stock issued	**147**	53
Tax benefit on exercised options	**33**	—
Purchases of common stock for treasury	**(890)**	(752)
Dividends paid	**(247)**	(241)
Other, net	**(32)**	(2)
Net Cash Used by Financing Activities	**(412)**	(495)
Increase (decrease) in Cash and Cash Equivalents	**(155)**	157
Cash and Cash Equivalents – Beginning of Year	**647**	573
Cash and Cash Equivalents – End of Period	**$ 492**	$ 730
Cash Flows from Changes in Current Assets and Liabilities:		
Receivables	**$ (214)**	$ (151)
Inventories	**(309)**	(219)
Prepaid expenses and other current assets	**10**	25
Accounts payable	**29**	(56)
Other current liabilities	**125**	324
Changes in Current Assets and Liabilities	**$ (359)**	$ (77)

See accompanying notes to consolidated financial statements.

(1) Background

The accompanying Consolidated Financial Statements of General Mills, Inc. (we, us, our, or the Company) and subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the rules and regulations for reporting on Form 10−Q. Accordingly, they do not include certain information and disclosures required for comprehensive financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal recurring nature. Operating results for the thirteen and twenty−six weeks ended November 26, 2006, are not necessarily indicative of the results that may be expected for the fiscal year ending May 27, 2007.

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 year ended May 28, 2006. The accounting policies used in preparing these Consolidated Financial Statements are the same as those described in Note 1 to the Consolidated Financial Statements in that Form 10−K, except as disclosed in Notes 2 and 3 below. Certain prior years' amounts have also been reclassified to conform to the current year presentation as disclosed in Note 3 below.

In addition, at the beginning of fiscal 2007, we shifted responsibility for several customers from our Bakeries and Foodservice segment to our U.S. Retail segment. All prior year amounts have been reclassified for comparative purposes. See Notes 6 and 15 below.

(2) Stock−Based Compensation

We have various stock−based compensation programs under which awards, including stock options, restricted stock, and restricted stock units, may be granted to employees and non−employee directors.

Options may be priced at 100 percent or more of the fair market value of our stock on the date of grant, and generally vest four years after the date of grant. Options generally expire in 10 years and one month after the date of grant. The 2006 Compensation Plan for Non−Employee Directors (2006 Director Plan) allows each non−employee director to receive upon election and re−election to the Board of Directors options to purchase shares of common stock that generally vest one year, and expire 10 years, after the date of grant.

Stock and units settled in stock subject to a restricted period and a purchase price, if any (as determined by the Compensation Committee of the Board of Directors), may be granted to key employees under the 2005 Stock Compensation Plan. Restricted shares and restricted stock units, up to 50 percent of the value of an individual's cash incentive award, may also be granted under the Executive Incentive Plan. Certain restricted share and restricted stock unit awards require the employee to deposit personally owned shares with a broker (on a one−for−one basis) during the restricted period. Restricted shares and restricted stock units generally vest and become unrestricted four years after the date of grant. Participants are entitled to cash dividends on such awarded shares and units, but the sale or transfer of these shares and units is restricted during the vesting period. Participants holding restricted shares, but not restricted stock units, are also entitled to vote on matters submitted to holders of common stock for a vote. The 2006 Director Plan allows each non−employee director to receive upon election and re−election to the Board restricted stock units that generally vest one year after the date of grant.

We issue shares from treasury stock upon the exercise of stock options and the vesting of restricted stock units.

Source: GENERAL MILLS INC, 10−Q, January 05, 2007

Prior to May 29, 2006, we applied Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), and related interpretations in accounting for stock−based compensation. No compensation expense for stock options was recognized in our Consolidated Statements of Earnings prior to fiscal 2007, as the exercise price was equal to the market price of our stock at the date of grant. Expense attributable to other types of share−based awards was recognized in our results under Statement of Financial Accounting Standards No. 123, "Accounting for Stock−Based Compensation" (SFAS 123).

Effective May 29, 2006, we adopted Statement of Financial Accounting Standards No. 123(Revised) "Share−Based Payment" (SFAS 123R), which changed the accounting for compensation expense associated with stock options, restricted stock awards, and other forms of equity compensation. We elected the modified prospective transition method as permitted by SFAS 123R; accordingly, results from prior periods have not been restated. Under this method, stock−based compensation expense for the thirteen and twenty−six weeks ended November 26, 2006, includes quarterly amortization related to the remaining unvested portion of all equity compensation awards granted prior to May 29, 2006, based on the grant−date fair value estimated in accordance with the original provisions of SFAS 123, and quarterly amortization related to all equity compensation awards granted on or subsequent to May 29, 2006, based on the grant−date fair value estimated in accordance with the provisions of SFAS 123R.

Prior to the adoption of SFAS 123R, we made pro forma disclosures in accordance with SFAS 123, in which we calculated compensation expense for stock option awards on a straight−line basis over their vesting periods. This treatment differs from the requirements of SFAS 123R, which requires that a stock−based award be considered vested for expense attribution purposes when the award recipient's retention of the award is no longer contingent on providing subsequent service. Accordingly, beginning in fiscal 2007, we have prospectively revised our expense attribution method so that the compensation expense is recognized immediately for awards granted to retirement−eligible individuals or over the lesser of the award's vesting period or the period from the grant date of the award to the recipient's retirement eligibility date.

The compensation expense related to share−based payments recognized in selling, general and administrative expense in the Consolidated Statements of Earnings for the thirteen and twenty−six weeks ended November 26, 2006, was $28 million and $81 million, respectively. The impact of adoption of SFAS 123R was an incremental expense of $12 million ($8 million after−tax or $0.02 cents per diluted share) in the thirteen weeks ended November 26, 2006 and $52 million ($32 million after−tax or $0.09 cents per diluted share) in the twenty−six weeks ended November 26, 2006.

Amounts for the thirteen and twenty−six weeks ended November 27, 2005, are presented in the table below in accordance with SFAS 123. Stock−based employee compensation expense is principally related to restricted stock unit awards; stock−based employee compensation expense included in pro forma amounts also reflects expenses related to stock option grants.

In Millions, except per share data	Thirteen Weeks Ended Nov. 27, 2005	Twenty−six Weeks Ended Nov. 27, 2005
Net earnings, as reported	$ 370	$ 622
Add: Stock−based employee compensation expense included in reported net earnings, net of related tax effects	7	14
Deduct: Total stock−based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(13)	(25)
Pro forma net earnings	$ 364	$ 611
Earnings per share:		
Basic – as reported	$ 1.04	$ 1.73
Basic – pro forma	$ 1.03	$ 1.70
Diluted – as reported	$ .97	$ 1.60
Diluted – pro forma	$ .96	$ 1.57

Source: GENERAL MILLS INC, 10−Q, January 05, 2007

Prior to the adoption of SFAS 123R, we reported all tax benefits resulting from the exercise of stock options as operating cash flows in our Consolidated Statements of Cash Flows. In accordance with SFAS 123R, the presentation of our consolidated statements of cash flows beginning in fiscal 2007 has changed to report the excess tax benefits from the exercise of the stock options as financing cash flows. This amount totaled $33 million for the twenty−six weeks ended November 26, 2006.

Net cash proceeds from the exercise of stock options were $76 million for the thirteen weeks ended November 26, 2006, and $18 million for the thirteen weeks ended November 27, 2005. Net cash proceeds from the exercise of stock options were $151 million for the twenty−six weeks ended November 26, 2006, and $56 million for the twenty−six weeks ended November 27, 2005.

The weighted−average grant−date fair values of stock options granted during the twenty−six weeks ended November 26, 2006, were estimated at $10.74 per share, and during the twenty−six weeks ended November 27, 2005, were estimated at $7.82 per share using the Black−Scholes option−pricing model with the following assumptions:

Twenty−six Weeks Ended	Nov. 26, 2006	Nov. 27, 2005
Risk−free interest rate	5.3%	4.3%
Expected term	8 years	7 years
Expected volatility	19.7%	20.0%
Expected dividend growth rate	9.2%	10.2%

Information on stock option activity follows:

	Shares (thousands)	Weighted−average exercise price	Weighted−average remaining contractual term (years)	Aggregate intrinsic value (millions)
Outstanding at May 28, 2006	58,203	$ 41.45		
Granted	5,285	$ 51.34		
Exercised	(4,816)	$ 35.98		
Forfeited or expired	(169)	$ 46.10		
Outstanding at Nov. 26, 2006	58,503	$ 42.78	5.01	$ 811
Exercisable at Nov. 26, 2006	37,459	$ 40.47	3.52	$ 606

The intrinsic value of options exercised was $47 million during the thirteen weeks ended November 26, 2006, and $85 million during the twenty−six weeks ended November 26, 2006. The intrinsic value of options exercised was $14 million during the thirteen weeks ended November 27, 2005, and $38 million during the twenty−six weeks ended November 27, 2005.

Information on restricted stock unit activity follows:

	Shares (thousands)	Weighted−average grant−date fair value
Non−vested at May 28, 2006	3,672	$ 46.87
Granted	1,634	51.39
Vested	(346)	44.82
Forfeited	(82)	47.67
Non−vested at Nov. 26, 2006	4,878	$ 48.52

The total grant−date fair value of restricted stock unit awards which vested in the first twenty−six weeks of fiscal 2007 was $15 million. The total grant−date fair value of restricted stock unit awards which vested in the first twenty−six weeks of fiscal 2006 was $10 million.

At November 26, 2006, compensation costs related to non−vested stock options and restricted stock units was $188 million. This cost will be recognized over 35 months, on average.

(3) Reclassifications

At the beginning of fiscal 2007, we made certain changes in the classifications of revenues and expenses, balance sheet liabilities, and cash flows from joint ventures. We have reclassified previously reported Consolidated Statements of Earnings, Consolidated Balance Sheets and Consolidated Statements of Cash Flows to conform to the current year presentation. These reclassifications had no effect on previously reported net earnings.

We made a change in accounting principle to classify shipping costs associated with the distribution of finished products to our customers as cost of sales (previously recorded in selling, general and administrative expense). We made the change in principle because we believe the classification of these shipping costs in cost of sales better reflects the cost of producing and distributing our products and aligns our external financial reporting with the results we use internally to evaluate segment operating performance. The impact of this change in principle was an increase to cost of sales of $136 million in the thirteen weeks ended November 27, 2005 and $240 million in the twenty−six weeks ended November 27, 2005.

We also reclassified certain trade−related costs and customer allowances as cost of sales or selling, general and administrative expense (previously recorded as reductions of net sales). The impact of these reclassifications in the thirteen weeks ended November 27, 2005, was an increase to net sales of $21 million, an increase in cost of sales of $27 million, a decrease in selling, general and administrative expense of $5 million and an increase in earnings of joint ventures before taxes of $2 million. The impact of these reclassifications in the twenty−six weeks ended November 27, 2005, was an increase to net sales of $37 million, an increase in cost of sales of $51 million, a decrease in selling, general and administrative expense of $11 million and an increase in earnings of joint ventures before taxes of $3 million.

We also reclassified certain liabilities, including trade and consumer promotion accruals, from accounts payable to other current liabilities, and we classified certain distributions from joint ventures as operating cash flows (previously reported as investing cash flows). The impact of this reclassification was a decrease to accounts payable of $443 million at May 28, 2006, and an increase to cash flows from operations of $27 million in the twenty−six weeks ended November 27, 2005.

(4) Acquisitions

During the first quarter of fiscal 2007, Cereal Partners Worldwide (CPW), our joint venture with Nestlé, completed the acquisition of the Uncle Tobys cereal business in Australia. We funded our 50 percent share of the purchase price by making additional advances to and equity contributions in CPW totaling $135 million (classified as investments in affiliates, net on the Consolidated Statements of Cash Flows) and by acquiring a 50 percent beneficial interest in certain intellectual property for $58 million (classified as acquisitions on the Consolidated Statements of Cash Flows).

(5) Restructuring and Other Exit Costs

In the second quarter of fiscal 2007, we recorded income related to restructuring and other exit costs of $1 million associated with adjustments to restructuring actions previously announced.

In the second quarter of fiscal 2006 we recorded restructuring and other exit costs of $2 million primarily associated with an asset impairment recognized at our Swedesboro, New Jersey production plant.

In the first twenty−six weeks of fiscal 2007, we recorded income related to restructuring and other exit activities of $3 million. We sold our previously closed plant in San Adrian, Spain, resulting in a gain of $9 million. We incurred a $6 million loss associated with the divestiture of our par−baked bread product line, including its plants in Chelsea, Massachusetts and Tempe, Arizona. Net proceeds received for the par−baked product line were $12 million.

In the first twenty−six weeks of fiscal 2006, we recorded restructuring and other exit costs of $11 million, consisting of $10 million of charges related to an asset impairment recognized at our Swedesboro, New Jersey production plant and $1 million of charges associated with restructuring activities previously announced.

(6) Goodwill and Other Intangible Assets

At the beginning of fiscal 2007, we shifted selling responsibility for several customers from our Bakeries and Foodservice segment to our U.S. Retail segment. Goodwill of $216 million previously reported in our Bakeries and Foodservice segment as of May 28, 2006, has now been recorded in the U.S. Retail segment. The changes in our carrying amount of goodwill for the twenty−six weeks ended November 26, 2006, were as follows:

In Millions	U.S. Retail	International	Bakeries and Foodservice	Total
Balance at May 28, 2006	$ 4,960	$ 491	$ 1,201	$ 6,652
Reclassification for customer shift	216	—	(216)	—
Divestiture	—	—	(6)	(6)
Other activity, including foreign currency translation	—	(10)	—	(10)
Balance at Nov. 26, 2006	**$ 5,176**	**$ 481**	**$ 979**	**$ 6,636**

Source: GENERAL MILLS INC, 10−Q, January 05, 2007

The changes in our carrying amount of other intangible assets for the twenty−six weeks ended November 26, 2006, were as follows:

In Millions	U.S. Retail	International	Other	Total
Balance at May 28, 2006	$ 3,175	$ 420	$ 12	$ 3,607
Acquisition of Uncle Tobys	—	—	58	58
Balance at Nov. 26, 2006	**$ 3,175**	**$ 420**	**$ 70**	**$ 3,665**

(7) Inventories

The components of inventories are as follows:

In Millions	Nov. 26, 2006	May 28, 2006
Raw materials, work in process and supplies	**$ 268**	$ 226
Finished goods	**1,016**	813
Grain	**150**	78
Reserve for LIFO valuation method	**(75)**	(62)
Total Inventories	**$ 1,359**	$ 1,055

(8) Stockholders' Equity

The following table provides detail of total comprehensive income:

In Millions	Thirteen Weeks Ended Nov. 26, 2006			Thirteen Weeks Ended Nov. 27, 2005		
	Pretax	Tax	Net	Pretax	Tax	Net
Net Earnings			**$ 385**			$ 370
Other Comprehensive Income (Loss):						
Foreign currency translation adjustments	**$ (25)**	**$ —**	**$ (25)**	$ (28)	$ —	$ (28)
Other fair value changes:						
Hedge derivatives	**4**	**(2)**	**2**	(9)	3	(6)
Minimum pension liability	**—**	**—**	**—**	—	—	—
Reclassification to hedge derivatives	**6**	**(3)**	**3**	—	—	—
Other comprehensive income (loss)	**$ (15)**	**$ (5)**	**$ (20)**	$ (37)	$ 3	$ (34)
Total Comprehensive Income			**$ 365**			$ 336

In Millions	Twenty−six Weeks Ended Nov. 26, 2006			Twenty−six Weeks Ended Nov. 27, 2005		
	Pretax	Tax	Net	Pretax	Tax	Net
Net Earnings			**$ 652**			$ 622
Other Comprehensive Income (Loss):						

Foreign currency translation adjustments	**$ (27)**	**$ —**	**$ (27)**	$ (10)	$ —	$ (10)
Other fair value changes:						
Hedge derivatives	**(15)**	**5**	**(10)**	(11)	4	(7)
Minimum pension liability	**(5)**	**2**	**(3)**	—	—	—
Reclassification to hedge derivatives	**18**	**(7)**	**11**	8	(4)	4
Other comprehensive income (loss)	**$ (29)**	**$ —**	**$ (29)**	$ (13)	$ —	$ (13)
Total Comprehensive Income			**$ 623**			$ 609

Source: GENERAL MILLS INC, 10–Q, January 05, 2007

The changes in Other Comprehensive Income are primarily non−cash items.

Accumulated Other Comprehensive Income balances, net of tax effects, were as follows:

In Millions	Nov. 26, 2006	May 28, 2006
Foreign currency translation adjustments	**$ 181**	$ 208
Unrealized gain (loss) from:		
Securities	**3**	2
Hedge derivatives	**(57)**	(57)
Pension plan minimum liability	**(31)**	(28)
Accumulated Other Comprehensive Income	**$ 96**	$ 125

(9) Earnings Per Share

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

	Thirteen Weeks Ended		Twenty−six Weeks Ended	
In Millions, except per share data	Nov. 26, 2006	Nov. 27, 2005	Nov. 26, 2006	Nov. 27, 2005
Net earnings – as reported	**$ 385**	$ 370	**$ 652**	$ 622
Interest on contingently convertible debentures, after tax (c)	**—**	3	**—**	8
Net earnings for diluted EPS calculation	**$ 385**	$ 373	**$ 652**	$ 630
Average number of common shares – basic EPS	**344**	355	**348**	360
Incremental share effect from:				
Stock options (a)	**10**	5	**10**	6
Restricted stock and restricted stock units (a)	**2**	2	**1**	2
Forward purchase contract (b)	**1**	—	**1**	—
Contingently convertible debentures (c)	**—**	22	**—**	25
Average number of common shares – diluted EPS	**357**	384	**360**	393
Earnings per Share – Basic	**$ 1.12**	$ 1.04	**$ 1.87**	$ 1.73
Earnings per Share – Diluted	**$ 1.08**	$ .97	**$ 1.81**	$ 1.60

(a) Incremental shares from stock options, restricted stock and restricted stock units are computed by the treasury stock method. Fiscal 2007 incremental shares have been calculated in accordance with SFAS 123R; fiscal 2006 shares were calculated in accordance with APB 25. At November 26, 2006, five million shares from stock options and restricted stock units were excluded from our computation of diluted EPS for the thirteen weeks ended November 26, 2006, because they were not dilutive. As of the same date, seven million shares from stock options and restricted stock units were excluded from our computation of diluted EPS for the twenty−six weeks ended November 26, 2006, because they were not dilutive.

(b) In October 2004, Lehman Brothers Holdings Inc. issued $750 million of notes which are mandatorily exchangeable for shares of our common stock. In connection with the issuance of those notes, an affiliate of Lehman Brothers entered into a forward purchase contract with us, under which we are obligated to deliver to such affiliate between 14 million and 17 million shares of our common stock, subject to adjustment under certain circumstances. These shares will be deliverable by us in October 2007, in exchange for the $750 million in cash or, in certain circumstances, securities of an affiliate of Lehman Brothers.

(c) Shares from contingently convertible debentures are reflected using the if−converted method. On December 12, 2005, we completed a consent solicitation and entered into a supplemental indenture related to our zero coupon convertible debentures. We also made an irrevocable election: (i) to satisfy all future obligations to repurchase debentures solely in cash and (ii) to satisfy all future conversions of debentures (a) solely in cash up to an amount equal to the accreted value of the debentures and (b) at our discretion, in cash, stock or a combination of cash and stock to the extent the conversion value of the debentures exceeds the accreted value. As a result of these actions, no shares of common stock underlying the debentures will be considered outstanding after December 12, 2005, for purposes of calculating our diluted EPS unless our average share price for the period is above the accreted value of the debentures.

(10) Notes Payable and Current Portion of Long−Term Debt

The components of notes payable at the end of the respective periods were as follows:

In Millions	Nov. 26, 2006	May 28, 2006
U.S. commercial paper	**$ 1,529**	$ 713
European commercial paper	**979**	462
Financial institutions	**170**	328
Total Notes Payable	**$ 2,678**	$ 1,503

To ensure availability of funds, we maintain bank credit lines sufficient to cover our outstanding short−term borrowings. During the thirteen weeks ended November 26, 2006, a $1.1 billion 364−day credit facility, which was scheduled to expire in October 2006, was renewed on substantially the same terms for an additional 364−day period, expiring in October 2007.

As of November 26, 2006, our zero coupon convertible debentures are included in the current portion of long−term debt based on the put rights of the holders.

(11) Share Repurchases

During the thirteen weeks ended November 26, 2006, we repurchased 3 million shares of common stock for an aggregate purchase price of $153 million. During the thirteen weeks ended November 27, 2005, we repurchased a minimal number of shares of common stock for an aggregate purchase price of $3 million.

During the first twenty−six weeks of fiscal 2007, we repurchased 17 million shares of common stock for an aggregate purchase price of $890 million. During the first twenty−six weeks of fiscal 2006, we repurchased 16 million shares of common stock for an aggregate purchase price of $752 million.

(12) Interest Expense, Net

The components of interest, including distributions to minority interest holders, net were as follows:

	Thirteen Weeks Ended		Twenty−six Weeks Ended	
In Millions	Nov. 26, 2006	Nov. 27, 2005	Nov. 26, 2006	Nov. 27, 2005
Interest expense	**$ 100**	$ 98	**$ 196**	$ 179
Distributions paid on preferred stock and interests in subsidiaries	**16**	15	**32**	29
Capitalized interest	**—**	(1)	**(1)**	(1)
Interest income	**(6)**	(8)	**(12)**	(13)
Interest Expense, Net	**$ 110**	$ 104	**$ 215**	$ 194

During the twenty−six weeks ended November 26, 2006, we entered into $600 million of pay−fixed, forward−starting interest rate swaps with an average fixed rate of 5.7 percent in anticipation of fixed−rate debt refinancing that we expect to occur later in fiscal 2007.

(13) Statements of Cash Flows

During the first twenty−six weeks of fiscal 2007, we made cash interest payments of $211 million, versus $182 million in the same period last year. During the first twenty−six weeks of fiscal 2007, we made income tax payments of $230 million, versus $146 million in the same period last year.

(14) Retirement and Other Postretirement Benefit Plans

Components of net pension and postretirement (income) expense for each fiscal period are as follows:

In Millions	Pension Plans		Postretirement Benefit Plans	
	Thirteen Weeks Ended		Thirteen Weeks Ended	
	Nov. 26, 2006	Nov. 27, 2005	Nov. 26, 2006	Nov. 27, 2005
Service cost	**$ 17**	$ 19	**$ 4**	$ 5
Interest cost	**45**	41	**15**	13
Expected return on plan assets	**(83)**	(81)	**(7)**	(6)
Amortization of losses	**3**	10	**4**	4
Amortization of prior service costs	**2**	2	**—**	(1)
Net (income) expense	**$ (16)**	$ (9)	**$ 16**	$ 15

In Millions	Pension Plans		Postretirement Benefit Plans	
	Twenty–six Weeks Ended		Twenty–six Weeks Ended	
	Nov. 26, 2006	Nov. 27, 2005	Nov. 26, 2006	Nov. 27, 2005
Service cost	**$ 35**	$ 38	**$ 8**	$ 9
Interest cost	**91**	83	**30**	26
Expected return on plan assets	**(166)**	(162)	**(14)**	(12)
Amortization of losses	**6**	19	**8**	9
Amortization of prior service costs	**4**	3	**—**	(1)
Net (income) expense	**$ (30)**	$ (19)	**$ 32**	$ 31

(15) Operating Segments

We operate exclusively in the consumer foods industry, with multiple operating segments organized generally by product categories. We aggregate our operating segments into three reportable segments by type of customer and geographic region as follows: U.S. Retail; International; and Bakeries and Foodservice.

U.S. Retail reflects business with a wide variety of grocery stores, mass merchandisers, club stores, specialty stores, and drug, dollar and discount chains operating throughout the United States. Our major product categories in this business segment are ready–to–eat cereals, meals, refrigerated and frozen dough products, baking products, snacks, yogurt, and organic foods. Our International segment is made up of retail businesses outside of the United States, including a retail business in Canada that largely mirrors our U.S. Retail product mix, and foodservice businesses outside of the United States and Canada. Our Bakeries and Foodservice segment consists of products marketed throughout the United States and Canada to retail and wholesale bakeries, commercial and noncommercial foodservice distributors and operators, restaurants, and convenience stores.

Our management reviews operating results to evaluate segment performance. Segment operating profit excludes general corporate expenses and stock–based compensation costs, as they are centrally managed at the corporate level and are excluded from the measure of segment profitability reviewed by management. Under our supply chain organization, our manufacturing, warehouse, distribution and sales activities are substantially integrated across our operations in order to maximize efficiency and productivity. As a result, fixed assets, capital expenditures, and depreciation and amortization expenses are neither maintained nor available by operating segment. Intercompany transactions between reportable operating segments were not material in the periods presented.

At the beginning of fiscal 2007, we shifted selling responsibility for several customers from our Bakeries and Foodservice segment to U.S Retail. All prior year amounts have been restated for comparative purposes. For the thirteen weeks ended November 27, 2005, net sales of $17 million and operating profit of $7 million previously reported in our Bakeries and Foodservice segment have now been recorded in the U.S. Retail segment. For the first twenty–six weeks of fiscal 2006, net sales of $30 million and operating profit of $12 million previously reported in our Bakeries and Foodservice segment have now been recorded in the U.S. Retail segment.

Source: GENERAL MILLS INC, 10–Q, January 05, 2007

In Millions	Thirteen Weeks Ended		Twenty–six Weeks Ended	
	Nov. 26, 2006	Nov. 27, 2005	Nov. 26, 2006	Nov 27, 2005
Net Sales:				
U.S. Retail	$ 2,442	$ 2,369	$ 4,352	$ 4,195
International	545	472	1,050	918
Bakeries and Foodservice	480	452	925	859
Total	$ 3,467	$ 3,293	$ 6,327	$ 5,972
Operating Profit:				
U.S. Retail	$ 596	$ 552	$ 1,043	$ 964
International	62	54	118	113
Bakeries and Foodservice	56	40	85	67
Total Segment Operating Profit	714	646	1,246	1,144
Corporate unallocated expense	40	2	83	39
Restructuring and other exit costs (income)	(1)	2	(3)	11
Operating Profit	$ 675	$ 642	$ 1,166	$ 1,094

(16) New Accounting Pronouncements

In November 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 151, “Inventory Costs – An Amendment of ARB No. 43, Chapter 4” (SFAS 151). SFAS 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). SFAS 151 is effective for the fiscal year beginning after June 15, 2005, and was effective for us in the first quarter of fiscal 2007. The adoption of SFAS 151 did not have any impact on our results of operations or financial condition.

Source: GENERAL MILLS INC, 10–Q, January 05, 2007

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 year ended May 28, 2006, 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.

RESULTS OF OPERATIONS

Thirteen−Week Results

For the quarter ended November 26, 2006, we reported diluted earnings per share of $1.08, up 11 percent from $0.97 per share earned in the same period last year. Earnings after tax were $385 million in the second quarter of fiscal 2007, up 4 percent from $370 million last year. Net sales for the thirteen weeks ended November 26, 2006 grew 5 percent to $3.47 billion and total segment operating profit increased 11 percent to $714 million (see page 23 for a discussion of this measure not defined by generally accepted accounting principles (GAAP)).

Net sales growth during the second quarter of fiscal 2007 was the result of 3 points of volume growth and 2 points of growth from price increases and a product mix that included higher priced items. Volume growth was recorded in all of our operating segments.

Components of Net Sales Growth 2nd Quarter Fiscal 2007 vs. Fiscal 2006	U.S. Retail	International	Bakeries and Foodservice	Total
Unit Volume Growth	+2 pts	+7 pts	+1 pts	+3 pts
Price/Product Mix	−1 pts	+7 pts	+8 pts	+2 pts
Trade and Coupon Promotion Expense	+2 pts	−2 pts	−3 pts	Flat
Foreign Currency Exchange	NA	+3 pts	NA	Flat
Net Sales Growth	3%	15%	6%	5%

Gross margins (defined as net sales less cost of sales) increased nearly 40 basis points from the second quarter last year to 36.9 percent of sales. Gross margins improved despite higher input costs, reflecting favorable product mix, pricing and productivity.

Selling, general and administrative expense (SG&A) increased $46 million in the quarter versus the same period a year ago. SG&A as a percent of net sales in the quarter increased 50 basis points from last year to 17.5 percent. This increase was driven primarily by a $17 million increase in stock−based compensation expense ($12 million of which was an incremental effect from the adoption of SFAS 123R).

In the second quarter of fiscal 2007, we recorded income related to restructuring and other exit activities of $1 million associated with adjustments to restructuring actions previously announced. In the second quarter of fiscal 2006, we recorded restructuring and other exit costs of $2 million, primarily associated with an asset impairment recognized at our Swedesboro, New Jersey plant.

As a result of the factors discussed above, our operating profit increased $33 million to $675 million, or 5 percent, from the second quarter last year.

Source: GENERAL MILLS INC, 10−Q, January 05, 2007

Interest expense for the quarter totaled $110 million, a $6 million increase from the second quarter last year. The increase primarily reflects higher interest rates versus last year.

The effective tax rate was 35.9 percent for the second quarter of fiscal 2007, compared to 35.3 percent for the second quarter of fiscal 2006.

Earnings after tax from joint ventures totaled $23 million in the second quarter, compared to $22 million from a year earlier. Net sales for CPW were up 20 percent. This included contributions from the Uncle Tobys business in Australia acquired by CPW in the first quarter of fiscal 2007. The fiscal 2007 second quarter also included a $1 million after−tax reduction in CPW's net earnings as a result of its previously announced restructuring project in the United Kingdom. Net sales for our Häagen−Dazs ice cream joint ventures in Asia increased 3 percent from the 2006 second quarter. 8 th Continent, our soy products joint venture with DuPont, also recorded a 3 percent net sales increase in the quarter.

Average diluted shares outstanding decreased by 27 million from the second quarter of fiscal 2006 due primarily to the repurchase of a significant portion of our contingently convertible debentures in October 2005 and the completion of a consent solicitation related to the remaining convertible debentures in December 2005. As a result of these actions, no shares of common stock underlying the debentures will be considered outstanding after December 12, 2005, for purposes of calculating our diluted earnings per share, unless our average share price for the period is above the accreted value of the debentures. In addition we have repurchased 20 million shares of our stock since the second quarter of fiscal 2006, 3 million of which were repurchased in the second quarter of fiscal 2007. The repurchases were partially offset by the issuance of shares upon stock option exercises and the vesting of restricted stock units.

Twenty−six Week Results

For the twenty−six weeks ended November 26, 2006, we reported diluted earnings per share of $1.81, up 13 percent from $1.60 per share earned in the same period last year. Earnings after tax were $652 million for the first twenty−six weeks of fiscal 2007, up 5 percent from $622 million last year. Net sales for the twenty−six weeks ended November 26, 2006 grew 6 percent to $6.33 billion and total segment operating profit increased 9 percent to $1.25 billion (see page 23 for a discussion of this measure not defined by GAAP).

Net sales growth during the first twenty−six weeks of fiscal 2007 was the result of 3 points of volume growth, 2 points of growth from price increases and a product mix that included higher priced items, and 1 point of favorable foreign currency exchange. Volume growth was recorded in all of our operating segments.

Components of Net Sales Growth First Twenty−six weeks Fiscal 2007 vs. Fiscal 2006	**U.S. Retail**	**International**	**Bakeries and Foodservice**	**Total**
Unit Volume Growth	+3 pts	+7 pts	+3 pts	+3 pts
Price/Product Mix	Flat	+6 pts	+7 pts	+2 pts
Trade and Coupon Promotion Expense	+1 pts	−3 pts	−2 pts	Flat
Foreign Currency Exchange	NA	+4 pts	NA	+1 pts
Net Sales Growth	4%	14%	8%	6%

Gross margins for the first twenty−six weeks increased 20 basis points compared to the first twenty−six weeks last year, to 37.0 percent of sales. Gross margins improved despite higher input costs, reflecting favorable product mix, pricing and productivity.

SG&A was up $89 million in the first twenty−six weeks versus the same period a year ago. SG&A as a percent of net sales in the first twenty−six weeks increased 40 basis points from last year to 18.7 percent. This increase was driven primarily by a $59 million increase in stock−based compensation expense ($52 million of which was an incremental effect from the adoption of SFAS 123R) and a 4 percent increase in consumer marketing expense.

Source: GENERAL MILLS INC, 10−Q, January 05, 2007

In the first twenty−six weeks of fiscal 2007, we recorded income related to restructuring and other exit activities of $3 million. We sold our previously closed plant in San Adrian, Spain, resulting in a gain of $9 million. We incurred a $6 million loss associated with the divestiture of our par−baked bread product line, including its plants in Chelsea, Massachusetts and Tempe, Arizona. The carrying value of the par−baked assets sold, including goodwill, was $18 million.

In the first twenty−six weeks of fiscal 2006, we recorded restructuring and other exit costs of $11 million, consisting of $10 million of charges related to an asset impairment recognized at our Swedesboro, New Jersey plant and $1 million of charges associated with restructuring actions previously announced. The restructuring actions previously announced also resulted in certain associated expenses, primarily adjustments to the depreciable life of the assets necessary to reflect the shortened asset lives which coincided with final production dates. These associated expenses were recorded as a cost of sales and totaled $2 million in the first twenty−six weeks of fiscal 2006.

As a result of the factors discussed above, our operating profit increased $72 million or 7 percent, to $1.16 billion in the first twenty−six weeks of fiscal 2007.

Interest expense for the first twenty−six weeks totaled $215 million, a $21 million increase from the first twenty−six weeks last year. The increase primarily reflects higher interest rates versus last year.

The effective tax rate was 35.9 percent for the first twenty−six weeks of fiscal 2007, compared to an effective tax rate of 35.4 percent for the first twenty−six weeks of fiscal 2006.

Earnings after tax from joint ventures totaled $42 million in the first twenty−six weeks, compared to $41 million a year earlier. Net sales for CPW were up 13 percent. This included contributions from the Uncle Tobys business in Australia acquired by CPW in the first quarter of fiscal 2007. The first twenty−six weeks of fiscal 2007 also included a $3 million after−tax reduction in CPW's net earnings as a result of its previously announced restructuring project under way in the United Kingdom. Net sales for our Häagen−Dazs ice cream joint ventures in Asia declined 1 percent from the first twenty−six weeks of fiscal 2006. 8th Continent, our soy products joint venture with DuPont, recorded a 3 percent net sales increase in the first twenty−six weeks of fiscal 2007.

Average diluted shares outstanding decreased by 33 million from the second quarter of fiscal 2006 due primarily to the repurchase of a significant portion of our contingently convertible debentures in October 2005 and the completion of a consent solicitation related to the remaining convertible debentures in December 2005. As a result of these actions, no shares of common stock underlying the debentures will be considered outstanding after December 12, 2005, for purposes of calculating our diluted earnings per share, unless our average share price for the period is above the accreted value of the debentures. In addition we have repurchased 20 million shares of our stock since the second quarter of fiscal 2006, 17 million of which were repurchased in the first twenty−six weeks of fiscal 2007. The repurchases were partially offset by the issuance of shares upon stock option exercises and the vesting of restricted stock units.

U.S. Retail Segment Results

Net sales for our U.S. Retail operations were up 3 percent in the second quarter of fiscal 2007 to $2.44 billion, driven by 2 percent volume growth and a 2 percent decline in trade promotion spending, partially offset by a 1 point decline in pricing/product mix. Operating profits for the quarter improved 8 percent from $552 million last year to $596 million this year.

Source: GENERAL MILLS INC, 10−Q, January 05, 2007

For the first twenty−six weeks of fiscal 2007, net sales for our U.S. Retail operations were $4.35 billion, up 4 percent from last year, driven by 3 point volume growth and a 1 point decline in trade promotion spending. Operating profits for the period improved 8 percent from $964 million last year to $1.04 billion this year.

U.S. Retail Net Sales Growth – Fiscal 2007 vs. 2006

	2nd Quarter	26 Weeks
	Net Sales	**Net Sales**
Yoplait	6%	7%
Snacks	7	7
Meals	4	5
Big G Cereals	2	3
Pillsbury USA	4	2
Baking Products	–4	–2
Small Planet Foods	19	25
Total U.S. Retail	3%	4%

For the second quarter, Snacks net sales grew 7 percent driven by *Caribou Coffee* Bars and new varieties of *Nature Valley* Sweet and Salty Nut bars and *Chex Mix*. *Yoplait* net sales grew 6 percent in the second quarter, reflecting strong performance from core product lines. Meals recorded a 4 percent net sales increase including good contributions from *Progresso* soup, *Old El Paso* Mexican foods and *Hamburger Helper* Microwave Singles products. Pillsbury USA net sales grew 4 percent reflecting gains on core refrigerated dough products, including *Pillsbury* Crescent Rolls, *Pillsbury* Toaster Strudel and *Totino's* Pizza Rolls. Big G Cereals recorded a 2 percent net sales increase with contributions from new products such as *Fruity Cheerios* and by established brands including *Cocoa Puffs* and *Fiber One*. Baking Products net sales were 4 percent below strong prior−year levels.

International Segment Results

Net sales for our consolidated international businesses were up 15 percent in the second quarter of fiscal 2007 to $545 million. This increase was primarily the result of a 7 percent unit volume increase and a 7 point contribution from pricing and product mix. Favorable foreign currency effects contributed 3 points of sales growth, partially offset by a 2 point increase in trade promotion spending. Operating profits of $62 million for the quarter were 15 percent above last year. Operating profits also reflected increased marketing expense to support new product introductions.

For the first twenty−six weeks of fiscal 2007, net sales for our International segment were $1.05 billion, up 14 percent. Unit volume for the first twenty−six weeks was up 7 points over the prior year, and pricing/product mix contributed an additional 6 points to net sales growth. Favorable foreign currency effects contributed 4 points of sales growth, partially offset by a 3 point increase in trade promotion spending. Operating profits for twenty−six weeks grew to $118 million in fiscal 2007, up 4 percent from $113 million last year.

Source: GENERAL MILLS INC, 10−Q, January 05, 2007

Bakeries and Foodservice Segment Results

At the beginning of fiscal 2007, we shifted selling responsibility for several customers from our Bakeries and Foodservice segment to U.S. Retail. All prior year amounts have been restated for comparative purposes. Second quarter net sales for our Bakeries and Foodservice segment increased 6 percent to $480 million, driven by 8 points of favorable pricing/product mix and 1 point of volume growth, partially offset by a 3 point increase in trade promotion spending. Operating profits for the segment reached $56 million, up 40 percent from $40 million in last year's second quarter as favorable net pricing realization (defined as the impact of list and promoted price increases net of trade and other promotion costs) and higher volumes were partially offset by higher commodity and fuel costs.

For first twenty−six weeks of fiscal 2007, net sales for our Bakeries and Foodservice segment increased 8 percent to $925 million, driven primarily by a 7 point increase in pricing/product mix and 3 points of volume growth, offset partially by a 2 point increase in trade promotion spending. Operating profits for the segment were $85 million, up 27 percent from $67 million last year.

Corporate Unallocated Expense

Corporate unallocated expense increased from $2 million in the second quarter of fiscal 2006 to $40 million in the second quarter of fiscal 2007, primarily the result of a $17 million increase in stock compensation costs ($12 million associated with the adoption of SFAS 123R).

In the first twenty−six weeks of fiscal 2007, corporate unallocated expense was $83 million, an increase of $44 million from the same period a year ago. The increase is primarily the result of increased stock compensation costs of $59 million ($52 million associated with the adoption of SFAS 123R) offset by variances in actual administrative and employee benefit costs versus the amount we allocate to our operations.

LIQUIDITY AND CAPITAL RESOURCES

During the first twenty−six weeks of fiscal 2007, operating activities provided cash of $565 million. This compares to cash provided by operations in the first twenty−six weeks of fiscal 2006 of $787 million. The decrease in cash provided by operations in the first twenty−six weeks of fiscal 2007 compared to last year is primarily the result of a $282 million higher use of working capital partially offset by increased non−cash stock compensation expense of $59 million. The higher use of working capital resulted from increases in inventories versus the same period a year ago because of commodity market conditions, primarily in the grain markets; increases in receivables resulting from higher sales levels; and smaller increases in other current liabilities primarily related to accrued taxes and accrued trade and consumer promotion expense at the end of the second quarter in fiscal 2007. Our grain inventories increased from $78 million at May 28, 2006 to $150 million at November 26, 2006, compared to an increase from $73 million to $90 million over the same period in fiscal 2006.

During the first twenty−six weeks of fiscal 2007, investments for land, buildings and equipment totaled $149 million compared to $113 million in the first twenty−six weeks last year. We expect to spend approximately $425 to $450 million for capital projects in fiscal 2007.

During the first twenty−six weeks of fiscal 2007, CPW completed the acquisition of the Uncle Tobys cereal business in Australia. We funded our 50 percent share of the purchase price by making additional advances to and equity contributions in CPW totaling $135 million (classified as investments in affiliates, net, on the Consolidated Statements of Cash Flows) and by acquiring a 50 percent beneficial interest in certain intellectual property for $58 million (classified as acquisitions on the Consolidated Statements of Cash Flows).

During the first twenty−six weeks of fiscal 2007, we repurchased 17 million shares of common stock for $890 million. This compares to our repurchase of 16 million shares of common stock for $752 million in the first twenty−six weeks of fiscal 2006.

Source: GENERAL MILLS INC, 10−Q, January 05, 2007

Our total debt balances were as follows:

In Millions	Nov. 26, 2006	May 28, 2006
Notes payable	**$ 2,678**	$ 1,503
Current portion of long−term debt	**1,739**	2,131
Long−term debt	**2,241**	2,415
Total Debt	**$ 6,658**	$ 6,049

Our notes payable balance increased $1,175 million from May 28, 2006 to November 26, 2006, primarily to refinance the payment at maturity of $500 million of our long−term debt in October 2006, share repurchases and our higher level of working capital during the first twenty−six weeks of fiscal 2007. Notes payable increased $1,782 million to $2,081 million in the first twenty−six weeks of fiscal 2006. As of November 26, 2006, our zero coupon convertible debentures are included in the current portion of long−term debt based on the put rights of the holders.

Commercial paper is a continuing source of short−term financing. We issue commercial paper in the United States, Canada and Europe. Our commercial paper borrowings are supported by fee−paid committed credit lines consisting of a $1.1 billion facility expiring in October 2007, a $750 million facility expiring in January 2009, and a $1.1 billion facility expiring in October 2010. As of November 26, 2006, we had no outstanding borrowings under these facilities.

During the first twenty−six weeks of fiscal 2007, we entered into $600 million of pay−fixed, forward−starting interest rate swaps with an average fixed−rate of 5.7 percent in anticipation of fixed−rate debt refinancing that we expect to occur later in fiscal 2007.

We have $1.7 billion of long−term debt maturing in the next 12 months and classified as current. We believe that cash flows from operations, together with available short− and long−term debt financing, will be adequate to meet our liquidity and capital needs for at least the next 12 months.

In October 2004, Lehman Brothers Holdings Inc. issued $750 million of notes which are mandatorily exchangeable for shares of our common stock. In connection with the issuance of those notes, an affiliate of Lehman Brothers entered into a forward purchase contract with us, under which we are obligated to deliver to such affiliate between 14 million and 17 million shares of our common stock, subject to adjustment under certain circumstances. These shares will be deliverable by us in October 2007, in exchange for the $750 million in cash or, in certain circumstances, securities of an affiliate of Lehman Brothers.

There were no material changes outside the ordinary course of our business in our contractual obligations or off−balance−sheet arrangements during the twenty−six week period ended November 26, 2006.

On December 11, 2006, our Board of Directors approved an increase in our quarterly dividend to 37 cents per share, payable on February 1, 2007, to shareholders of record on January 10, 2007. The previous quarterly dividend rate of 35 cents per share was established with the August 1, 2006 payment. During the first twenty−six weeks of fiscal 2007, we paid $247 million in dividends.

On December 11, 2006, our Board of Directors also approved a new authorization for us to repurchase up to 75 million shares of our common stock. This replaces the prior authorization which permitted us to repurchase shares up to a treasury share balance of 170 million. Purchases under the new authorization can be made in the open market or in privately negotiated transactions, including the use of call options and other derivative instruments, Rule 10b5−1 trading plans and accelerated repurchase programs. The authorization has no pre−established termination date.

Source: GENERAL MILLS INC, 10−Q, January 05, 2007

SIGNIFICANT ACCOUNTING ESTIMATES

Our significant accounting estimates are described in Note 1 to the Consolidated Financial Statements included in our Annual Report on Form 10−K for the year ended May 28, 2006. The accounting policies used in preparing our interim fiscal 2007 Consolidated Financial Statements are the same as those described in our Form 10−K, except for the change in accounting principle for stock−based compensation as discussed in Note 2 to the Consolidated Financial Statements included in this Form 10−Q, the change in accounting principle for certain shipping costs as discussed in Note 3 to the Consolidated Financial Statements included in this Form 10−Q, and the reclassifications also discussed in Note 3 to the Consolidated Financial Statements included in this Form 10−Q. In addition, at the beginning of fiscal 2007, we shifted responsibility for several customers from our Bakeries and Foodservice segment to our U.S. Retail segment. All prior year amounts have been reclassified for comparative purposes. See Notes 6 and 15.

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 trade and consumer promotion activities; valuation of stock−based compensation awards; goodwill and other intangible asset impairments; income taxes; and pension and other postretirement benefits.

Trade and Consumer Promotion Activities

We report sales net of certain coupon and trade promotion costs. The consumer coupon costs recorded as a reduction of sales are based on the estimated redemption value of those coupons, as determined by historical patterns of coupon redemption and consideration of current market conditions such as competitive activity in those product categories. The trade promotion costs include payments to customers to perform merchandising activities on our behalf, such as advertising or in−store displays, discounts to our list prices to lower retail shelf prices, and payments to gain distribution of new products. The cost of these activities is recognized as the related revenue is recorded, which generally precedes the actual cash expenditure. The recognition of these costs requires estimation of customer participation and performance levels. These estimates are made based on the quantity of customer sales, the timing and forecasted costs of promotional activities, and other factors. Differences between estimated expenses and actual costs are normally insignificant and are recognized as a change in management estimate in a subsequent period.

Our unit volume in the last week of each quarter is consistently higher than the average for the preceding weeks of the quarter. In comparison to the average daily shipments in the first 12 weeks of a quarter, the final week of each quarter has approximately two to four days' worth of incremental shipments (based on a five−day week), reflecting increased promotional activity at the end of the quarter. This increased activity includes promotions to assure that our customers have sufficient inventory on hand to support major marketing events or increased seasonal demand early in the next quarter, as well as promotions intended to help achieve interim unit volume targets. If, due to quarter−end promotions or other reasons, our customers purchase more product in any reporting period than end−consumer demand will require in future periods, our sales level in future reporting periods could be adversely affected.

Valuation of Stock−Based Compensation Awards

We have various stock−based compensation programs under which awards, including stock options, restricted stock, and restricted stock units, may be granted to employees and non−employee directors. Stock option grants are made at 100 percent or more of the fair market value of our stock at the date of grant. These awards generally vest over four years and have a ten−year and one−month term. The expense recorded in our Consolidated Financial Statements beginning in fiscal 2007 is based on the fair value of the awards.

Source: GENERAL MILLS INC, 10−Q, January 05, 2007

We estimate the fair value of each option on the grant date using the Black−Scholes option−pricing model, which requires 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 term of the option. If all other assumptions were held constant, a one percentage point increase or decrease in our current period volatility assumption would increase or decrease the grant−date fair value of our option grants by approximately 4 percent, or $1 million, in the twenty−six weeks ended November 26, 2006.

Goodwill and Other Intangible Assets

Goodwill represents the difference between the purchase prices of acquired companies and the related fair values of net assets acquired. Goodwill is not subject to amortization and is tested for impairment annually and whenever events or changes in circumstances indicate that impairment may have occurred. Impairment testing is performed for each of our reporting units. We compare the carrying amount of goodwill for a reporting unit with its fair value and if the carrying amount of goodwill exceeds its fair value, impairment has occurred. Our estimates of fair value are determined based on a discounted cash flow model using inputs from our annual long−range planning process. We also make estimates of discount rates, perpetuity growth assumptions and other factors.

Finite and indefinite−lived assets, primarily intangible assets associated with the *Pillsbury*, *Totino's*, *Progresso*, *Green Giant*, *Old El Paso* and *Häagen−Dazs* brands, are also tested for impairment annually and whenever events or changes in circumstances indicate that their carrying value may not be recoverable. In December 2006, we completed our fiscal 2007 assessment of our brand intangibles as of December 1, 2006. Our estimate of the fair value of the brands was based on a discounted cash flow model using inputs which included: (1) projected revenues from our annual long−range plan, (2) assumed royalty rates which could be payable if we did not own the brands, and (3) a discount rate. All brand intangibles had fair values in excess of their carrying values by at least 20 percent, except for the *Pillsbury* brand, which we estimated had a fair value less than three percent higher than its carrying value. This brand comprises nearly one−half of our total indefinite−lived intangible assets.

If the growth rate for the global revenue from all uses of the *Pillsbury* brand decreases 50 basis points from the current planned growth rate, fair value would be reduced by approximately $165 million, assuming all other components of the fair value estimate remain unchanged. If the assumed royalty rate for all uses of the *Pillsbury* brand decreases by 50 basis points, fair value would be reduced by approximately $130 million, assuming all other components of the fair value estimate remain unchanged. If the applicable discount rate increases by 50 basis points, fair value of the *Pillsbury* brand would be reduced by approximately $175 million, assuming all other components of the fair value estimate remain unchanged.

Income Taxes

Our consolidated effective income tax rate is influenced by tax planning opportunities available to us in the various jurisdictions in which we operate and involves management judgment as to the ultimate resolution of any tax issues. We accrue liabilities in current income taxes payable for potential assessments related to uncertain tax positions in a variety of taxing jurisdictions. Historically, our assessments of the ultimate resolution of tax issues have been reasonably accurate. The current open tax issues are not dissimilar in size or substance from historical items, except for the accounting for losses recorded as part of our acquisition of The Pillsbury Company. Management currently believes that the ultimate resolution of these matters, including the accounting for losses recorded as part of our acquisition of The Pillsbury Company, will not have a material effect on our business, financial condition, results of operations, or liquidity.

Pension and Other Postretirement Benefits

The accounting for pension and other postretirement liabilities requires the estimation of several critical factors. The assumptions used in the determination of those liabilities are described on pages 22 and 23 of our Annual Report on Form 10−K for the year ended May 28, 2006.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans" (an amendment of FASB Statements No. 87, 88, 106, and 132R) (SFAS 158). SFAS 158 requires an employer to recognize in its statement of financial position an asset for a plan's over−funded status or a liability for a plan's under−funded status, measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year (with limited exceptions), and recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur. Those changes will be reported in our comprehensive income and as a separate component of stockholders' equity. SFAS 158 is effective for us in the fourth quarter of fiscal 2007. We are evaluating the impact of SFAS 158 on our results of operations and financial condition and estimate that we will record a reduction of accumulated other comprehensive income of approximately $600 million after−tax associated with our domestic defined benefit plans, assuming a discount rate of 6 percent and a rate of return on plan assets of 9.6 percent. We have no restrictive covenants that will be affected by this charge.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS No. 157). This statement provides a single definition of fair value, a framework for measuring fair value, and expanded disclosures concerning fair value. Previously, different definitions of fair value were contained in various accounting pronouncements creating inconsistencies in measurement and disclosures. SFAS No. 157 applies under those previously issued pronouncements that prescribe fair value as the relevant measure of value, except SFAS No. 123R and related interpretations and pronouncements that require or permit measurement similar to fair value but are not intended to measure fair value. This pronouncement is effective for fiscal years beginning after November 15, 2007, which for us is the first quarter of fiscal 2009. We are evaluating the impact of SFAS 157 on our results of operations and financial condition.

In September 2006, the Securities and Exchange Commission (SEC) released Staff Accounting Bulletin No. 108 "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB 108). SAB 108 provides interpretive guidance on the process and diversity in practice of quantifying financial statement misstatements resulting in the potential carryover of improper amounts on the balance sheet. The SEC staff believes that registrants should quantify errors using both a balance sheet and income statement approach and evaluate whether either approach results in quantifying a misstatement that, when all relevant quantitative and qualitative factors are considered, is material. SAB 108 is effective for us in the first quarter of fiscal 2008. We do not believe that the adoption of SAB 108 will have a material impact on our results of operations or financial condition.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 clarifies when tax benefits should be recorded in financial statements, requires certain disclosures of uncertain tax matters and indicates how any tax reserves should be classified in a balance sheet. FIN 48 is effective for us in the first quarter of fiscal 2008. We are evaluating the impact of FIN 48 on our results of operations and financial condition.

Source: GENERAL MILLS INC, 10−Q, January 05, 2007

NON–GAAP MEASURES

We have included in this MD&A a measure of financial performance that is not defined by GAAP. This non–GAAP measure should be viewed in addition to, and not in lieu of, the comparable GAAP measure.

Total Segment Operating Profit

This non–GAAP measure is used in internal management reporting and as a component of the Board of Directors' rating of our performance for management and employee incentive compensation. Management and the Board of Directors 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 the relevant GAAP measure, operating profit, is included in Note 15 to the Consolidated Financial Statements included in this Form 10–Q.

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 management's current expectations and assumptions. We and our representatives also may from time to time make written or oral forward–looking statements, including statements contained in our filings with the SEC and in our reports to stockholders.

The words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "plan," "project" or similar 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, which speak only as of the date made.

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 for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current 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 or tax rates;
- 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;
- Changes in capital structure;

Source: GENERAL MILLS INC, 10–Q, January 05, 2007

- Changes in laws and regulations, including labeling and advertising regulations;
- Impairments in the carrying value of goodwill or other intangibles;
- Changes in accounting standards and the impact of significant accounting estimates;
- Product quality and safety issues, including recalls and product liability;
- Changes in customer 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;
- Benefit plan expenses due to changes in plan asset values and discount rates used to determine plan liabilities;
- Resolution of uncertain income tax matters;
- 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 on pages 7 through 10 of our Annual Report on Form 10−K for the year ended May 28, 2006, which could also affect our future results.

We undertake no obligation to publicly revise any forward−looking statements to reflect future events or circumstances.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in our market risk during the twenty−six weeks ended November 26, 2006, except for interest rate instruments which increased by $2 million during the quarter as a result of increases in our forward starting interest rate swaps hedging future debt issuances. For additional information, see Item 7A of our Annual Report on Form 10−K for the year ended May 28, 2006.

Source: GENERAL MILLS INC, 10−Q, January 05, 2007

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). We have determined that our policies and procedures requiring an annual impairment assessment of goodwill and other indefinite−lived intangible assets on a combined basis were ineffective for the separate annual impairment assessment of our brand intangibles, as required by Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*. Accordingly, we concluded that we had a material weakness in our internal control over financial reporting as of November 26, 2006. Solely as a result of the aforementioned material weakness, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of November 26, 2006. As of January 4, 2007, we believe we have remediated the material weakness by changing our policies and procedures to require the performance of a separate annual impairment assessment of the brand intangibles, and we have completed that assessment. Our assessments for fiscal years 2004, 2005, 2006 and 2007 have confirmed that the fair value of brand intangibles exceeded their carrying value in all years. Therefore, there were no changes to our consolidated financial statements presented in this report, in our Quarterly Report on Form 10−Q for the period ended August 27, 2006, or in our Annual Report on Form 10−K for the fiscal year ended May 28, 2006.

Except as specifically discussed in the preceding paragraph, there were no changes in our internal control over financial reporting during our fiscal quarter ended November 26, 2006, that have 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 three fiscal months ended November 26, 2006.

Period	**Total Number of Shares Purchased(a)**	**Average Price Paid Per Share**	**Total Number of Shares Purchased as a Part of Publicly Announced Programs**	**Maximum Number of Shares that may yet be Purchased under the Programs (b)**
Aug. 28, 2006 – Oct. 1, 2006	2,881,075	$ 52.87	—	—
Oct. 2, 2006 – Oct. 29, 2006	22,896	$ 55.57	—	—
Oct. 30, 2006 – No. 26, 2006	18,300	$ 55.57	—	—
Total	2,922,271	$ 52.91	—	75,000,000

(a) The total number of shares purchased includes: (i) 55,700 shares purchased from the ESOP fund of our 401(k) savings plan, (ii) 15,071 shares of restricted stock withheld for the payment of withholding taxes upon vesting of restricted stock, and (iii) 2,851,500 shares purchased on the open market.

(b) On December 11, 2006, our Board of Directors approved and we announced a new authorization for the repurchase of up to 75 million shares of our common stock. This replaces the prior authorization which permitted us to repurchase shares up to a treasury share balance of 170 million. Purchases under the new authorization can be made in the open market or in privately negotiated transactions, including the use of call options, other derivative instruments, Rule 10b5−1 trading plans and accelerated repurchase programs. The Board did not specify a time period or an expiration date for the authorization.

Source: GENERAL MILLS INC, 10−Q, January 05, 2007

Item 4. Submission of Matters to a Vote of Security Holders.

(a) The Annual Meeting of Stockholders was held on September 25, 2006.

(b) All 13 directors nominated were elected at the Annual Meeting.

(c) For the election of directors, the results were as follows:

Director		Votes
Paul Danos	For	299,831,397
	Withheld	4,595,046
William T. Esrey	For	277,518,393
	Withheld	26,908,050
Raymond V. Gilmartin	For	299,180,681
	Withheld	5,245,762
Judith Richards Hope	For	278,752,869
	Withheld	25,673,574
Heidi G. Miller	For	299,439,626
	Withheld	4,986,817
Hilda Ochoa−Brillembourg	For	293,597,101
	Withheld	10,829,342
Steve Odland	For	301,121,401
	Withheld	3,305,042
Kendall J. Powell	For	298,360,747
	Withheld	6,065,696
Michael D. Rose	For	274,770,840
	Withheld	29,655,603
Robert L. Ryan	For	299,781,353
	Withheld	4,645,090
Stephen W. Sanger	For	297,055,307
	Withheld	7,371,136
A. Michael Spence	For	294,350,274
	Withheld	10,076,169
Dorothy A. Terrell	For	279,814,990
	Withheld	24,611,453

The appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2007 was ratified:

For:	274,481,094
Against:	26,661,337
Abstain:	3,284,012

The 2006 Compensation Plan for Non−Employee Directors was adopted:

For:	192,716,003
Against:	70,542,541
Abstain:	3,536,401
Broker Non−Vote:	37,631,498

A shareholder proposal regarding the labeling of genetically engineered food products was not approved:

For:	12,882,343
Against:	226,998,159
Abstain:	26,916,760
Broker Non−Vote:	37,629,181

Source: GENERAL MILLS INC, 10−Q, January 05, 2007

Item 6. Exhibits.

Exhibit 10.1	General Mills, Inc. 2005 Stock Compensation Plan, as amended to date.
Exhibit 10.2	General Mills, Inc. 2006 Compensation Plan for Non−Employee Directors (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8−K filed September 26, 2006).
Exhibit 10.3	Amended and Restated Credit Agreement, dated as of October 17, 2006, among General Mills, Inc., the several financial institutions from time to time party to the agreement and Citibank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8−K filed October 17, 2006).
Exhibit 12	Computation of Ratio of Earnings to Fixed Charges.
Exhibit 31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes−Oxley Act of 2002.
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes−Oxley Act of 2002.
Exhibit 32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes−Oxley Act of 2002.
Exhibit 32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes−Oxley Act of 2002.

Source: GENERAL MILLS INC, 10−Q, January 05, 2007

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)

Dated:	January 5, 2007	By:	/s/ S. S. Marshall
			S. S. Marshall Senior Vice President, General Counsel and Secretary
Dated:	January 5, 2007	By:	/s/ K. L. Thome
			Senior Vice President, Financial Operations (Principal Accounting Officer)

Source: GENERAL MILLS INC, 10−Q, January 05, 2007

Exhibit Index

Exhibit No.	Description
10.1	General Mills, Inc. 2005 Stock Compensation Plan, as amended to date.
12	Computation of Ratio of Earnings to Fixed Charges.
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.

Exhibit 10.1

GENERAL MILLS, INC.

2005 STOCK COMPENSATION PLAN

1. PURPOSE OF THE PLAN

The purpose of the General Mills, Inc. 2005 Stock Compensation Plan (the "Plan") is to attract and retain able individuals by rewarding employees of General Mills, Inc., its subsidiaries and affiliates (defined as entities in which General Mills, Inc. has a significant equity or other interest) (collectively, the "Company") and to align the interests of employees with those of the stockholders of the Company.

2. EFFECTIVE DATE AND DURATION OF PLAN

This Plan shall become effective as of September 26, 2005, subject to the approval of the stockholders of the Company at the Annual Meeting on September 26, 2005. Awards may be made under the Plan until December 31, 2007.

3. ELIGIBLE PERSONS

Only persons who are employees of the Company shall be eligible to receive grants of Stock Options, Restricted Stock or Restricted Stock Units (each defined below) and become "Participants" under the Plan. The Compensation Committee of the Company's Board of Directors (the "Committee") shall exercise the discretionary power to determine from time to time the employees of the Company who are eligible to participate in this Plan.

4. AWARD TYPES

(a) **Stock Option Awards.** Under this Plan, the Committee may award Participants options ("Stock Options") to purchase common stock of the Company ($.10 par value) ("Common Stock"). The grant of a Stock Option entitles the Participant to purchase shares of Common Stock at an "Exercise Price" established by the Committee.

(b) **Stock Option Exercise Price.** The Exercise Price for each share of Common Stock issuable under a Stock Option shall not be less than 100% of the Fair Market Value of the Common Stock on the date of grant, and may exceed the Fair Market Value on the grant date, at the Committee's discretion. "Fair Market Value" shall equal the average of the intraday high and low price of the national market composite price of the Company's Common Stock on the applicable date.

(c) **Restricted Stock Awards.** The Committee may also grant Participants shares of Common Stock or the right to receive shares of Common Stock subject to certain restrictions ("Restricted Stock" or "Restricted Stock Units") (Stock Options, Restricted Stock and Restricted Stock Units are sometimes referred to as "Awards").

5. COMMON STOCK SUBJECT TO THE PLAN

(a) **Maximum Shares Available for Delivery.** Subject to Section 5(c), the maximum number of shares of Common Stock available for issuance to Participants under the Plan shall be 15,000,000. The Company will repurchase a number of shares of Common Stock at least equal to the number of shares of Common Stock issued under this Plan.

In addition, any Common Stock covered by a Stock Option granted under the Plan which is forfeited prior to the end of the vesting period shall be deemed not to be delivered for purposes of determining the maximum number of shares of Common Stock available for grants under the Plan. If (i) any Stock Option that is exercised through the delivery of Common Stock in satisfaction of the exercise price, and (ii) withholding tax requirements arising upon exercise of any Stock Option are satisfied through the withholding of Common Stock otherwise deliverable in connection with such exercise, the full number of shares of Common Stock underlying any such Stock Option that is exercised shall count against the maximum number of shares available for grants under the Plan.

Upon forfeiture or termination of Restricted Stock or Restricted Stock Units prior to vesting, the shares of Common Stock subject thereto shall again be available for Awards under the Plan.

Source: GENERAL MILLS INC, 10–Q, January 05, 2007

(b) **Individual Share Limits.** The number of shares of Common Stock subject to Stock Options or available for Restricted Stock or Restricted Stock Unit Awards granted under the Plan to any single Participant over the duration of the Plan shall not exceed 10% of the original number of shares available under the Plan.

(c) **Adjustments for Corporate Transactions.** The Committee may determine that a corporate transaction has occurred affecting the Common Stock such that an adjustment or adjustments to outstanding Awards is required to preserve (or prevent enlargement of) the benefits or potential benefits intended at the time of grant. For this purpose a corporate transaction includes, but is not limited to, any dividend or other distribution (whether in the form of cash, Common Stock, securities of a subsidiary of the Company, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split−up, spin−off, combination, repurchase or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction. In the event of such a corporate transaction, the Committee may, in such manner as the Committee deems equitable, adjust (i) the number and kind of shares which may be awarded under the Plan both individually and in the aggregate; (ii) the number and kind of shares subject to outstanding Awards; and (iii) the exercise price of outstanding Stock Options.

(d) **Limits on Distribution.** Distribution of shares of Common Stock or other amounts under the Plan shall be subject to the following:

(i) The total number of shares of Common Stock that shall be available for Restricted Stock and Restricted Stock Unit Awards under the Plan shall be limited to 25% of the total shares authorized for Awards hereunder.

(ii) Notwithstanding any other provision of the Plan, the Company shall have no liability to deliver any shares of Common Stock under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act of 1933), and the applicable requirements of any securities exchange or similar entity.

(iii) To the extent that the Plan provides for issuance of stock certificates to reflect the issuance of shares of Common Stock or Restricted Stock, the issuance may be effected on a non−certificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

(e) **Stock Deposit Requirements and other Restrictions.** The Committee, in its discretion, may require as a condition to the grant of Awards, the deposit of Common Stock owned by the Participant receiving such grant, and the forfeiture of such grants, if such deposit is not made or maintained during the required holding period. Such shares of deposited Common Stock may not be otherwise sold or disposed of during the applicable holding period or restricted period. The Committee may also determine whether any shares issued upon exercise of a Stock Option shall be restricted in any manner.

6. STOCK OPTION TERM AND TYPE

(a) **General.** Stock Options granted under the Plan shall be Non−Qualified Stock Options governed by Section 83 of the Internal Revenue Code of 1986, as amended (the "Code"). The term of any Stock Option granted under the Plan shall be determined by the Committee, provided that the term of a Stock Option shall not exceed 10 years and one month.

(b) **No Reload Rights.** Stock Options granted under this Plan shall not contain any provision entitling the optionee to the automatic grant of additional options in connection with any exercise of the original option.

(c) **No Repricing.** Subject to Section 5(c), outstanding Stock Options granted under this Plan shall under no circumstances be repriced.

7. GRANT, EXERCISE AND VESTING OF STOCK OPTIONS

(a) **Grant.** Subject to the limits otherwise imposed by the terms of this Plan, the Committee has discretionary authority to determine the size of a Stock Option grant, which may be tied to meeting performance−based requirements.

(b) **Exercise.** Except as provided in Sections 11 and 12 (Change of Control and Termination of Employment), each Stock Option may be exercised only in accordance with the terms and conditions of the Stock Option grant and during the periods as may be established by the Committee. A Participant exercising a Stock Option shall give notice to the Company of such exercise and of the number of shares elected to be purchased prior to 4:30 P.M. CST/CDT on the day of exercise, which must be a business day at the executive offices of the Company.

(c) **Vesting.** Stock Options shall not be exercisable unless vested. Subject to Sections 11 and 12 Stock Options shall be fully vested only after four years of the Participant's continued employment with the Company following the date of the Stock Option grant.

(d) **Payment.** The Exercise Price shall be paid to the Company at the time of such exercise, subject to any applicable rule or regulation adopted by the Committee:

(i) in cash (including check, draft, money order or wire transfer made payable to the order of the Company);

(ii) through the tender of shares of Common Stock owned by the Participant (by either actual delivery or attestation); or

(iii) by a combination of (i) and (ii) above.

For determining the amount of the payment, Common Stock delivered pursuant to (ii) or (iii) shall have a value equal to the Fair Market Value of the Common Stock on the date of exercise.

8. **RESTRICTED STOCK AND RESTRICTED STOCK UNITS**

Restricted Stock and Restricted Stock Units may be awarded on either a discretionary or performance−based method.

(a) **Discretionary Awards.** With respect to discretionary Awards of Restricted Stock and Restricted Stock Units, the Committee shall

(i) Select Participants to whom Awards will be made;

(ii) Determine the number of shares of Restricted Stock or the number of Restricted Stock Units to be awarded to a Participant;

(iii) Determine the length of the restricted period, which shall be no less than four years;

(iv) Determine the purchase price, if any, to be paid by the Participant for Restricted Stock or Restricted Stock Units; and

(v) Determine any restrictions other than those set forth in this Section 8.

(b) **Performance−Based Awards.** With respect to Awards of performance−based Restricted Stock and Restricted Stock Units, the intent is to grant such Awards so as to satisfy the requirements for "qualified performance−based compensation" under Internal Revenue Code section 162(m). Performance−based Awards are subject to the following:

(i) The Committee has exclusive authority to determine which Participants may be awarded performance−based Restricted Stock and Restricted Stock Units.

(ii) In order for any Participant to be awarded Restricted Stock or Restricted Stock Units for a Performance Period (defined below), the net earnings from continuing operations excluding items identified and disclosed by the Company as non−recurring or special costs and after taxes ("Net Earnings") of the Company for such Performance Period must be greater than zero.

(iii) At the end of the Performance Period, if the Committee determines that the requirement of Section 8(b)(ii) has been met, each Participant eligible for a performance−based Award shall be deemed to have earned an Award equal in value to the Maximum Amount, or such lesser amount as the Committee shall determine in its discretion to be appropriate. The Committee may base this determination of grant size on performance−based criteria. For purposes of computing the value of Awards, each Restricted Stock or Restricted Stock Unit shall be deemed to have a value equivalent to the Fair Market Value of one share of Common Stock on the date the Award is granted.

Source: GENERAL MILLS INC, 10−Q, January 05, 2007

(iv) In addition to the limitation on the number of shares of Common Stock available for Awards under section 5(b) hereof, in no event shall the total value of the performance−based Restricted Stock or Restricted Stock Unit Award granted to any Participant for any one Performance Period exceed 0.5% of the Company's Net Earnings for that Performance Period (such amount is the "Maximum Amount").

(v) The Committee shall determine the length of the restricted period which, subject to Sections 11 and 12, shall be no less than four years.

(vi) "Performance Period" means a fiscal year of the Company, or such other period as the Committee may from time to time establish.

Subject to the restrictions set forth in this Section 8, each Participant who receives Restricted Stock shall have all rights as a stockholder with respect to such shares, including the right to vote the shares and receive dividends and other distributions.

Each Participant who receives Restricted Stock Units shall be eligible to receive, at the expiration of the applicable restricted period, one share of Common Stock for each Restricted Stock Unit awarded, and the Company shall issue to each such Participant that number of shares of Common Stock. Participants who receive Restricted Stock Units shall have no rights as stockholders with respect to such Restricted Stock Units until such time as share certificates for Common Stock are issued to the Participants; provided, however, that quarterly during the applicable restricted period for all Restricted Stock Units awarded hereunder, the Company shall pay to each such Participant an amount equal to the sum of all dividends and other distributions paid by the Company during the prior quarter on that equivalent number of shares of Common Stock.

The Committee may in its discretion permit a Participant to defer receipt of any Common Stock issuable upon the lapse of any restriction of Restricted Stock or Restricted Stock Units, subject to such rules and procedures as it may establish. In particular, the Committee shall establish rules relating to such deferrals intended to comply with the requirements of Internal Revenue Code §409A, including without limitation, the time when a deferral election can be made, the period of the deferral, and the events that would result in payment of the deferred amount.

9. **TRANSFERABILITY OF AWARDS**

Except as otherwise provided by rules of the Committee, no Stock Options shall be transferable by a Participant otherwise than (i) by the Participant's last will and testament or (ii) by the applicable laws of descent and distribution, and such Stock Options shall be exercised during the Participant's lifetime only by the Participant or his or her guardian or legal representative. Except as otherwise provided in Section 8, no shares of Restricted Stock and no Restricted Stock Units shall be sold, exchanged, transferred, pledged or otherwise disposed of during the restricted period.

10. **TAXES**

Whenever the Company issues Common Stock under the Plan, the Company may require the recipient to remit to the Company an amount sufficient to satisfy any Federal, state or local tax withholding requirements prior to the delivery of such Common Stock, or the Company may in its discretion withhold from the shares to be delivered shares sufficient to satisfy all or a portion of such tax withholding requirements.

11. **CHANGE OF CONTROL**

Each outstanding Stock Option shall become immediately and fully exercisable for a period of one (1) year following the date of the following occurrences, each constituting a "Change of Control":

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the 1934 Act), (a "Person") of beneficial ownership (within the meaning of Rule 13d−3 promulgated under the 1934 Act) of voting securities of the Company where such acquisition causes such Person to own 20% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not be deemed to result in a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction that complies with clauses (i), (ii) and (iii) of subsection (c) below; and provided, further, that if any Person's beneficial ownership of the Outstanding Voting Securities reaches or exceeds 20% as a result of a transaction described in clause (i) or (ii) above, and such Person subsequently acquires beneficial ownership of additional voting securities of the Company, such subsequent acquisition shall be treated as an acquisition that causes such Person to own 20% or more of the Outstanding Voting Securities; or

(b) Individuals who, as of the date hereof, constitute the Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) The approval by the shareholders of the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company ("Business Combination") or, if consummation of such Business Combination is subject, at the time of such approval by stockholders, to the consent of any government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation); excluding, however, such a Business Combination pursuant to which (i) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Voting Securities, (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

After such one (1) year period the normal Stock Option exercise provisions of the Plan shall govern. Notwithstanding any other provision of the Plan, but subject to Section 6, in the event a Participant's employment with the Company is terminated within two (2) years of any of the events specified in (a), (b), (c) or (d), all outstanding Stock Options of such Participant at that date of termination shall be exercisable for a period of six (6) months beginning on the date of termination.

With respect to Stock Option grants outstanding as of the date of any such Change of Control which require the deposit of owned Common Stock as a condition to obtaining rights, the deposit requirement shall be terminated as of the date of the Change of Control.

In the event of a Change of Control, a Participant shall vest in all shares of Restricted Stock and Restricted Stock Units, effective as of the date of such Change of Control.

12. **TERMINATION OF EMPLOYMENT**

(a) **Resignation or Termination for Cause.** If the Participant's employment by the Company is terminated by either

(i) the voluntary resignation of the Participant, or

(ii) a Company discharge due to Participant's illegal activities, poor work performance, misconduct or violation of the Company's Code of Conduct, policies or practices,

Source: GENERAL MILLS INC, 10–Q, January 05, 2007

then Participant's Stock Options shall terminate three months after such termination (but in no event beyond the original full term of the Stock Options) and no Stock Options shall become exercisable after such termination, and all shares of Restricted Stock and Restricted Stock Units which are subject to restriction on the date of termination shall be forfeited.

(b) **Other Termination.** If the Participant's employment by the Company terminates for any reason other than specified in Sections 11, 12 (a), (c), (d) or (e), the following rules shall apply:

(i) In the event that, at the time of such termination, the sum of the Participant's age and service with the Company equals or exceeds 70, the Participant's outstanding Stock Options shall continue to become exercisable according to the schedule established at the time of grant unless otherwise provided in the applicable Award agreement, and all shares of Restricted Stock and Restricted Stock Units shall vest. Stock Options shall remain exercisable for the remaining full term of such Stock Options.

(ii) In the event that, at the time of such termination, the sum of Participant's age and service with the Company is less than 70, Participant's outstanding unexercisable Stock Options and unvested Restricted Stock and Restricted Stock Units shall become exercisable or vest, as the case may be, as of the date of termination, in a pro–rata amount based on the full months of employment completed during the full vesting period from the date of grant to the date of termination with such newly–vested Stock Options and Stock Options exercisable on the date of termination remaining exercisable for the lesser of one year from the date of termination and the original full term of the Stock Option. All other Stock Options, shares of Restricted Stock and Restricted Stock Units shall be forfeited as of the date of termination. Provided, however, that if the Participant is an executive officer of the Company, the Participant's outstanding Stock Options which, as of the date of termination are not yet exercisable, shall become exercisable effective as of the date of such termination and, with all outstanding Stock Options already exercisable on the date of termination, shall remain exercisable for the lesser of one year following the date of termination and the original full term of the Stock Option, and all shares of Restricted Stock and Restricted Stock Units shall vest as of the date of termination.

(c) **Death.** If a Participant dies while employed by the Company, any Stock Option previously granted under this Plan shall fully vest and become exercisable upon death and may be exercised by the person designated in such Participant's last will and testament or, in the absence of such designation, by the Participant's estate.

With respect to Stock Options which require the deposit of owned Common Stock as a condition to obtaining exercise rights, in the event a Participant dies while employed by the Company, such Stock Options may be exercised as provided in the first paragraph of this Section 12(c) and any deposit requirement shall be terminated.

A Participant who dies while employed by the Company during any applicable restricted period, shall fully vest in such shares of Restricted Stock or Restricted Stock Units, effective as of the date of death.

(d) **Retirement.** The Committee shall determine, at the time of grant, the treatment of the Stock Options, Restricted Stock and Restricted Stock Units upon the retirement of the Participant. Unless other terms are specified in the original Grant, if the termination of employment is due to a Participant's retirement on or after age 55, the Participant may exercise a Stock Option, subject to the original terms and conditions of the Stock Option and shall fully vest in all shares of Restricted Stock or Restricted Stock Units effective as of the date of retirement (unless any such Award specifically provides otherwise).

(e) **Spin–offs.** If the termination of employment is due to the cessation, transfer, or spin–off of a complete line of business of the Company, the Committee, in its sole discretion, shall determine the treatment of all outstanding Awards under the Plan.

13. ADMINISTRATION OF THE PLAN

(a) **Administration.** The authority to control and manage the operations and administration of the Plan shall be vested in the Committee in accordance with this Section 13.

Source: GENERAL MILLS INC, 10–Q, January 05, 2007

(b) **Selection of Committee.** The Committee shall be selected by the Board, and shall consist of two or more members of the Board.

(c) **Powers of Committee.** The authority to manage and control the operations and administration of the Plan shall be vested in the Committee, subject to the following:

(i) Subject to the provisions of the Plan, the Committee will have the authority and discretion to select from among the eligible Company employees those persons who shall receive Awards, to determine the time or times of receipt, to determine the types of Awards and the number of shares covered by the Awards, to establish the terms, conditions, performance criteria, restrictions, and other provisions of such Awards, and (subject to the restrictions imposed by Section 14) to cancel or suspend Awards. In making such determinations, the Committee may take into account the nature of services rendered by the individual, the individual's present and potential contribution to the Company's success and such other factors as the Committee deems relevant.

(ii) The Committee will have the authority and discretion to establish terms and conditions of Awards as the Committee determines to be necessary or appropriate to conform to applicable requirements or practices of jurisdictions outside of the United States.

(iii) The Committee will have the authority and discretion to interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any agreements made pursuant to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan.

(iv) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding.

(v) The Plan shall at all times be managed and operated in accordance with applicable laws.

(d) **Delegation by Committee.** Except to the extent prohibited by applicable law or the applicable rules of a stock exchange, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time.

14. AMENDMENTS OF THE PLAN

The Committee may from time to time prescribe, amend and rescind rules and regulations relating to the Plan. Subject to the approval of the Board of Directors, where required, the Committee may at any time terminate, amend, or suspend the operation of the Plan, provided that no action shall be taken by the Board of Directors or the Committee without the approval of the stockholders which would

(a) except as provided in Section 5(c), materially increase the number of shares which may be issued under the Plan;

(b) permit granting of Stock Options at less than Fair Market Value;

(c) except as provided in Section 5(c), permit the repricing of outstanding Stock Options; or

(d) amend the maximum shares set forth in Section 5(b) which may be granted to any single Participant.

No termination, modification, suspension, or amendment of the Plan shall alter or impair the rights of any Participant pursuant to an outstanding Award without the consent of the Participant. There is no obligation for uniformity of treatment of Participants under the Plan.

15. FOREIGN JURISDICTIONS

The Committee may adopt, amend, and terminate such arrangements, not inconsistent with the intent of the Plan, as it may deem necessary or desirable to make available tax or other benefits of the laws of any foreign jurisdiction, to employees of the Company who are subject to such laws and who receive Awards under the Plan.

Source: GENERAL MILLS INC, 10–Q, January 05, 2007

16. **NON–ALIENATION OF RIGHTS AND BENEFITS**

Subject to Section 9, no right or benefit under the Plan shall be subject to alienation, sale, assignment, pledge, or encumbrance and any attempt to do so shall be void. No right or benefit under the Plan shall be subject to the debts, contacts, liabilities or torts of the person entitled to such rights or benefits.

17. **LIMITATION OF LIABILITY OR OBLIGATION OF THE COMPANY**

Nothing in the Plan shall be construed

(a) to give any employee of the Company any right to be granted any Award other than at the sole discretion of the Committee;

(b) to give any Participant any rights whatsoever with respect to shares of Common Stock except as specifically provided in the Plan;

(c) to limit in any way the right of the Company or any Subsidiary to terminate, change or modify, with or without cause, the employment of any Participant at any time; or

(d) to be evidence of any agreement or understanding, express or implied, that the Company or any Subsidiary will employ any Participant in any particular position at any particular rate of compensation or for any particular period of time.

Payments and other benefits received by a Participant under an Award shall not be deemed part of a Participant's regular, recurring compensation for purposes of any termination, indemnity or severance pay laws and shall not be included in, nor have any effect on, the determination of benefits under any other employee benefit plan, contract or similar arrangement provided by the Company or any Subsidiary, unless expressly so provided by such other plan, contract or arrangement.

18. **NO LOANS**

The Company shall not lend money to any Participant to finance a transaction under this Plan.

19. **NOTICES**

All notices to the Company regarding the Plan shall be in writing, effective as of actual receipt by the Company, and shall be sent to:

Attention: Corporate Compensation
General Mills, Inc.
Number One General Mills Boulevard
Minneapolis, MN 55426

20. **RECOGNITION AWARDS**

Up to 10,000 shares of Common Stock may be awarded as Recognition Awards in any calendar year during the duration of the Plan. A Company officer may identify employees of the Company who have made special contributions to the business and/or performance of the Company and request that the Corporate Secretary deliver Recognition Awards to such Participants in recognition of such contributions. Each year, the Committee shall review the grants of Recognition Awards made in the prior year. Recognition Award shares may be fully vested upon grant or subject to such vesting conditions as the Committee may authorize.

Source: GENERAL MILLS INC, 10–Q, January 05, 2007

Exhibit 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Twenty−six Weeks Ended		Fiscal Year Ended				
Dollars in Millions	**Nov. 26, 2006**	**Nov. 27, 2005**	**May 28, 2006**	**May 29, 2005**	**May 30, 2004**	**May 25, 2003**	**May 26, 2002**
Earnings before Income Taxes and After−tax Earnings from Joint Ventures	$ 951	$ 900	$ 1,559	$ 1,808	$ 1,502	$ 1,310	$ 663
Plus: Distributed Income of Equity Investees	10	24	77	83	60	95	17
Plus: Fixed Charges (1)	246	224	463	524	569	619	468
Plus: Amortization of Capitalized Interest, net of Interest Capitalized	—	1	2	1	(5)	(5)	—
Earnings Available to Cover Fixed Charges	$ 1,207	$ 1,149	$ 2,101	$ 2,416	$ 2,126	$ 2,019	$ 1,148
Ratio of Earnings to Fixed Charges	**4.91**	**5.13**	**4.54**	**4.61**	**3.74**	**3.26**	**2.45**
(1) Fixed Charges:							
Interest and Minority Interest Expense, Gross	$ 228	$ 208	$ 428	$ 488	$ 537	$ 589	$ 445
Rentals (1/3)	18	16	35	36	32	30	23
Total Fixed Charges	$ 246	$ 224	$ 463	$ 524	$ 569	$ 619	$ 468

For purposes of computing the ratio of earnings to fixed charges, earnings represent earnings before income taxes and after−tax earnings of joint ventures, distributed income of equity investees, fixed charges, and amortization of capitalized interest, net of interest capitalized. Fixed charges represent gross interest expense and subsidiary preferred distributions to minority interest holders, plus one−third (the proportion deemed representative of the interest factor) of rent expense. Calculations are based on underlying numbers. We have reclassified previously reported Ratios of Earnings to Fixed Charges to conform to the current year presentation.

Exhibit 31.1

I, Stephen W. Sanger, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a−15(e) and 15d−15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a−15(f) and 15d−15(f)) for the registrant and have:

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

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 5, 2007

/s/ Stephen W. Sanger

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

Exhibit 31.2

I, James A. Lawrence, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a−15(e) and 15d−15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a−15(f) and 15d−15(f)) for the registrant and have:

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

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 5, 2007

/s/ James A. Lawrence

James A. Lawrence
Vice Chairman and Chief Financial Officer

Exhibit 32.1

I, Stephen W. Sanger, Chairman of the Board and Chief Executive Officer of General Mills, Inc. (the “Company”), certify, pursuant to Section 906 of the Sarbanes−Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10−Q of the Company for the fiscal quarter ended November 26, 2006 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 5, 2007

/s/ Stephen W. Sanger

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

Exhibit 32.2

I, James A. Lawrence, Vice Chairman and Chief Financial Officer of General Mills, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes−Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10−Q of the Company for the fiscal quarter ended November 26, 2006 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 5, 2007

/s/ James A. Lawrence

James A. Lawrence
Vice Chairman and Chief Financial Officer

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