

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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GENERAL MILLS INC

CIK: **40704** | IRS No.: **410274440** | State of Incorporation: **DE** | Fiscal Year End: **0525**
Type: **10-Q** | Act: **34** | File No.: **001-01185** | Film No.: **94500928**
SIC: **2040** Grain mill products

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MINNEAPOLIS MN 55440*

Business Address
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MILLS BLVD
MINNEAPOLIS MN 55426
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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 28, 1993

/ 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)

(612) 540-2311

(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 X No ___

As of December 17, 1993, General Mills had 159,122,280 shares of its \$.10 par value common stock outstanding (excluding 45,031,052 shares held in treasury).

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	November 28,	November 29,	November 28,	November 29,
	1993	1992	1993	1992
Sales	\$ 2,182.2	\$2,096.9	\$4,272.0	\$4,116.5
Costs and Expenses:				
Cost of sales	1,127.1	1,080.3	2,205.2	2,122.6
Selling, general and administrative	729.5	708.3	1,370.0	1,344.5
Depreciation and amortization	72.5	65.5	143.9	129.4
Interest, net	23.4	17.1	50.1	33.6
Total Costs and Expense	1,952.5	1,871.2	3,769.2	3,630.1
Earnings before Taxes	229.7	225.7	502.8	486.4
Income Taxes	89.0	87.6	196.5	188.7
Earnings from Operations	140.7	138.1	306.3	297.7
Cumulative Effect to May 31, 1993 of Accounting Changes	-	-	.2	-
Net Earnings	\$140.7	\$138.1	\$ 306.5	\$ 297.7
Earnings per Share:				
From operations	\$.88	\$.85	\$ 1.92	\$ 1.82
Cumulative effect of accounting changes	-	-	-	-

Net Earnings per Share	\$.88	\$.85	\$ 1.92	\$ 1.82
Dividends per Share	\$.47	\$.42	\$.94	\$.84
Average Number of Common Shares	159.1	163.6	159.5	163.7

See accompanying notes to consolidated condensed financial statements.

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

	(Unaudited) November 28, 1993	(Unaudited) November 29, 1992	May 30, 1993
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 56.8	\$ 55.5	\$100.0
Receivables	391.4	368.4	287.4
Inventories:			
Valued primarily at FIFO	289.4	277.3	194.5
Valued at LIFO (FIFO value exceeds LIFO by \$62.5, \$71.0 and \$60.3, respectively)	264.2	271.1	244.5
Prepaid expenses and other current assets	98.2	94.9	108.2
Deferred income taxes	149.3	152.1	142.3
Total Current Assets	1,249.3	1,219.3	1,076.9
Land, Buildings and Equipment, at Cost	4,455.6	4,024.1	4,239.5
Less accumulated depreciation	(1,483.7)	(1,276.3)	(1,379.9)
Net Land, Buildings and Equipment	2,971.9	2,747.9	2,859.6
Other Assets	774.8	711.8	714.3
Total Assets	\$4,996.0	\$4,679.0	\$4,650.8
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable	\$ 698.1	\$697.1	\$617.0
Current portion of long-term debt	72.1	55.4	64.3
Notes payable	393.9	261.8	339.6
Accrued taxes	160.2	136.7	139.7
Other current liabilities	365.7	341.9	398.2
Total Current Liabilities	1,690.0	1,492.9	1,558.8
Long-term Debt	1,414.8	1,166.0	1,268.3
Deferred Income Taxes	243.1	238.8	262.0
Deferred Income Taxes - Tax Leases	193.9	198.5	195.6

Other Liabilities	183.9	192.5	147.6
Total Liabilities	3,725.7	3,288.7	3,432.3
Stockholders' Equity:			
Cumulative preference stock, none issued	-	-	-
Common stock, 204.2 shares issued	350.9	353.9	358.7
Retained earnings	2,442.3	2,211.1	2,284.5
Less common stock in treasury, at cost, shares of 45.1, 40.6 and 43.7, respectively	(1,294.4)	(958.2)	(1,196.4)
Unearned compensation and other	(163.8)	(169.2)	(167.5)
Cumulative foreign currency adjustment	(64.7)	(47.3)	(60.8)
Total Stockholders' Equity	1,270.3	1,390.3	1,218.5
Total Liabilities and Stockholders' Equity	\$4,996.0	\$4,679.0	\$4,650.8

See accompanying notes to consolidated condensed financial statements.

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

	Twenty-Six Weeks Ended	
	November 28, 1993	November 29, 1992
Cash Flows - Operating Activities:		
Net Earnings	\$306.5	\$297.7
Adjustments to reconcile earnings to cash flow:		
Depreciation and amortization	143.9	129.4
Deferred income taxes	.1	3.7
Change in current assets and liabilities	(149.6)	(134.6)
Other, net	8.4	1.5
Cash provided by continuing operations	309.3	297.7
Cash used by discontinued operations	(2.7)	(1.6)
Net Cash Provided by Operating Activities	306.6	296.1
Cash Flows - Investment Activities:		
Purchases of land, buildings and equipment	(273.4)	(336.0)
Investments in businesses, intangibles and affiliates, net of dividends	(21.0)	(20.1)
Purchases of marketable investments	(46.1)	(3.4)
Proceeds from sale of marketable investments	24.5	10.8
Other, net	5.3	7.0
Net Cash Used by Investment Activities	(310.7)	(341.7)
Cash Flows - Financing Activities:		
Increase in notes payable	58.2	131.1
Issuance of long-term debt	202.4	298.4

Payment of long-term debt	(51.6)	(31.5)
Cash flows for tax leases	(5.6)	(4.5)
Common stock issued	10.5	16.3
Purchases of common stock for treasury	(102.9)	(171.7)
Dividends paid	(150.1)	(137.5)
Net Cash Provided (Used) by Financing Activities	(39.1)	100.6
Increase (Decrease) in Cash and Cash Equivalents	\$(43.2)	\$55.0

See accompanying notes to consolidated condensed financial statements.

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

(1) Background

These financial statements do not include certain information and footnotes required by generally accepted accounting principles for complete financial statements. However, 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 twenty-six weeks ended November 28, 1993 are not necessarily indicative of the results that may be expected for the fiscal year ending May 29, 1994.

These statements should be read in conjunction with the financial statements and footnotes included in our annual report for the year ended May 30, 1993. The accounting policies used in preparing these financial statements are the same as those described in our annual report.

(2) Statements of Cash Flows

During the first six months of fiscal 1994, we paid \$49.7 million for interest (net of amount capitalized) and \$176.7 million for income taxes.

(3) Accounting Changes

In fiscal 1994, we adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." The cumulative effect as of May 31, 1993 of changing to the liability method of accounting for deferred income taxes was an increase in net earnings of \$17.5 million (\$.11 per share).

We also adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." The cumulative effect as of May 31, 1993 of changing to the accrual basis for severance and disability costs was a decrease in net earnings of \$17.3 million (\$.11 per share).

(4) Long-term Debt

During the first six months of fiscal 1994, we issued \$150.0 million of debt under our medium-term note program with maturities from 5 to 40 years and interest rates from 5.4% to 7.3%.

(5) Stockholders' Equity

We purchased 1.7 million shares of our common stock for \$102.9 million in the open market during the first six months of fiscal 1994.

(6) Investments in Affiliates

During the first six months we made additional capital contributions and advances of \$13.8 million to Cereal Partners Worldwide.

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

FINANCIAL CONDITION

Fiscal 1994 capital expenditures are estimated to be approximately \$600 million. During the first half, capital expenditures totaled \$273.4 million. Our fixed-asset investment has decreased from recent peak levels, which included adding cereal capacity.

Purchases of marketable investments were made to take advantage of interest rate spreads.

Our short-term outside financing is obtained through private placement of commercial paper and bank notes. Our level of notes payable fluctuates based on cash flow needs.

In the first half of fiscal 1994, \$150.0 million of debt was issued under our medium-term note program. An additional \$50.0 million of our notes payable was reclassified to long-term under our revolving credit agreement.

RESULTS OF OPERATIONS

Second quarter sales of \$2,182.2 million grew 4 percent from the prior year. Consumer Foods' sales of \$1,508.3 million were 2 percent higher than last year and sales for Restaurants of \$673.9 million grew 8 percent. First half sales for Consumer Foods of \$2,855.2 million grew 1 percent and Restaurants' sales grew 9 percent to \$1,416.8 million.

Second quarter earnings from operations of \$140.7 million (\$.88 per share) and cumulative earnings of \$306.3 million (\$1.92 per share) were up 2 percent and 3 percent, respectively, from \$138.1 million (\$.85 per share) and \$297.7 million (\$1.82 per share) reported for the same periods last year.

Consumer Foods' operating profits were up 1 percent in the quarter and 3 percent in the half, with Betty Crocker Products and Yoplait each reporting strong profit growth in the quarter and cumulatively. Total domestic packaged foods unit volume grew 2 percent both in the quarter and six months. Big G cereal unit volume was down 5 percent in the quarter. Competitive promotional efforts were extraordinarily high in September, October and November. Big G's dollar market share was 29 percent for the quarter and retail pound volume was up 1 percent in a strong market. The company expects second half Big G cereal volume to be positively influenced by meeting any future promotional efforts made by competitors and by planned new product introductions.

Consumer Foods profit results included significant planned expense related to building the company's major worldwide cereal joint venture with Nestle, S.A. CPW unit volume grew 25 percent through the first half, and the company continued to achieve share gains in virtually every market, including its newest markets of Germany and Mexico. The Snack Ventures Europe joint venture with PepsiCo Foods International showed a gain in operating profit in the second quarter despite weak economic conditions in most of its markets.

Restaurants' operating profits rose 9 percent for the quarter and 10 percent for the first half, led by Red Lobster. Second quarter sales for Red Lobster's North American operations rose 4 percent. In the U.S., average unit sales grew 1 percent, reflecting good customer response to the company's signature Lobsterfest promotion. Sales for The Olive Garden's North American operations increased 14 percent in the quarter. Average unit sales in the U.S. declined 2 percent, primarily due to the continued impact of additional unit openings in established markets and the weak economy in California.

During the quarter, Red Lobster opened 13 new restaurants and The Olive Garden added 20, for a combined total of 1,086 units in North America. China Coast opened its ninth unit during the quarter in Lakeland, Fla. and sixteen more units are planned in the second half in the Midwest, Southwest and Southeast.

Interest expense increased by \$6.3 million in the quarter, primarily due to borrowings associated with the company's ongoing share repurchase program. To date in fiscal 1994, the company has repurchased 1.7 million shares. As a result, average shares outstanding totaled 159.1 million in this year's second quarter, down 3 percent from last year's second quarter.

The effect of the increase in the federal tax rate was partially offset by utilization of foreign tax credits.

General Mills purchased the Colombo yogurt business from a U.S. subsidiary of Bongrain S.A. effective December 19, 1993. Colombo is a leading producer of soft frozen yogurt, as well as premium hard

pack frozen yogurt, and has a strong refrigerated cup business in the Northeast. The transaction will not have any material effect on the earnings of the company.

PART II. OTHER INFORMATION

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

(a) The Annual Meeting of Stockholders was held on September 20, 1993.

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

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

H. Brewster Atwater	For	131,871,415
	Withheld	483,559
Richard M. Bressler	For	131,885,499
	Withheld	469,475
Livio D. DeSimone	For	131,894,138
	Withheld	460,836
William T. Esrey	For	131,882,907
	Withheld	472,067
Judith R. Hope	For	131,655,785
	Withheld	699,189
Joe R. Lee	For	131,882,086
	Withheld	472,888
Kenneth A. Macke	For	131,885,258
	Withheld	469,716
George Putnam	For	131,884,489
	Withheld	470,485
Michael D. Rose	For	131,873,142
	Withheld	481,832
Stephen W. Sanger	For	131,888,556
	Withheld	466,418
A. Michael Spence	For	131,852,871
	Withheld	502,103
Mark H. Willes	For	131,798,805

	Withheld	556,169
C. Angus Wurtele	For	131,890,897
	Withheld	464,077

On the ratification of the appointment of KPMG Peat Marwick as auditors for fiscal 1994 the results were as follows:

For:	131,215,803
Against:	353,450
Abstain:	785,720

On the proposal to adopt the Stock Option and Long-Term Incentive Plan of 1993, the results were as follows:

For:	108,949,159
Against:	7,373,360
Abstain:	1,287,906
Broker Non-Vote:	14,744,548

The stockholders' proposal requesting that the directors take action to adopt cumulative voting was rejected:

For:	21,918,402
Against:	91,665,941
Abstain:	4,124,732
Broker Non-Vote:	14,645,898

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

Exhibit 11 Statement re Computation of Earnings per Share.

Exhibit 12 Statement re Ratio of Earnings to Fixed Charges.

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the second quarter of fiscal 1994.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed

on its behalf by the undersigned thereunto duly authorized.

GENERAL MILLS, INC.
(Registrant)

Date January 10, 1994

/s/ C. L. Whitehill
C. L. Whitehill
Senior Vice President,
General Counsel and Secretary

Date January 10, 1994

/s/ K. L. Thome
K. L. Thome
Senior Vice President,
Financial Operations

GENERAL MILLS, INC.
COMPUTATION OF EARNINGS PER SHARE

	Twenty-Six Weeks Ended	
	November 28, 1993	November 29, 1992
Net Earnings, in millions	\$ 306.5	\$ 297.7
 Computation of Shares:		
Weighted average number of shares outstanding, excluding shares held in treasury (a)	159,486,662*	163,711,307
Shares resulting from the assumed exercise of certain stock options (b)	2,602,331*	3,582,929*
Shares potentially issuable under compensation plans	41,106*	42,717*
Total common shares and common share equivalents	162,130,099	167,336,953
Earnings per Share	\$ 1.92	\$ 1.82

Notes to Exhibit 11:

- (a) Beginning balance of common stock is adjusted for changes in amount outstanding, weighted by the elapsed portion of the period during which the shares were outstanding.
- (b) Common share equivalents are computed by the "treasury stock" method. Share amounts represent the dilutive effect of outstanding stock options which have an option price below the average market price of our stock for the period concerned.
- * Common share equivalents are not material. As a result, earnings per share have been computed using the weighted average number of shares outstanding of 159,486,662 and

163,711,307 for the first six months of fiscal 1994 and 1993,
respectively.

RATIO OF EARNINGS TO FIXED CHARGES

	Twenty-Six Weeks Ended		Fiscal Year Ended				
	November 28,	November 29,	May 30,	May 31,	May 26,	May 27,	May 28,
	1993	1992	1993	1992	1991	1990	1989
Ratio of Earnings to Fixed Charges	7.57	9.04	7.79	8.58	7.82	7.66	7.73

For purposes of computing the ratio of earnings to fixed charges, earnings represent pretax income from continuing operations plus fixed charges (net of capitalized interest). Fixed charges represent interest (whether expensed or capitalized) and one-third (the proportion deemed representative of the interest factor) of rents of continuing operations.