2003 Annual Report

GENERAL MILLS

75 years of shareholder value creation

General Mills was incorporated in June 1928 and five months later, on November 30, shares of General Mills (GIS) traded on the New York Stock Exchange for the first time. The closing price that day was 20 cents per share, adjusted for subsequent stock splits and spin-off distributions. Over the next 75 years, the business environment and General Mills' product portfolio both experienced continuous change. One factor that remained constant, however, was our focus on delivering superior returns to shareholders. Our business performance resulted in price increases for GIS stock averaging 7.6 percent per year over the last 75 years. This significantly outpaced the market, as represented by the Dow Jones Industrial Average (DJIA), and was more than double the compound annual inflation rate represented by the Consumer Price Index. General Mills and its predecessor firm have paid shareholder dividends without interruption or reduction for 105 years. Of the more than 2,500 companies listed on the New York Stock Exchange today, fewer than 60 have longer dividend records. As we celebrate our 75th anniversary, we thank shareholders for their investment in our business, and we reaffirm our commitment to delivering superior growth and returns in the years ahead.

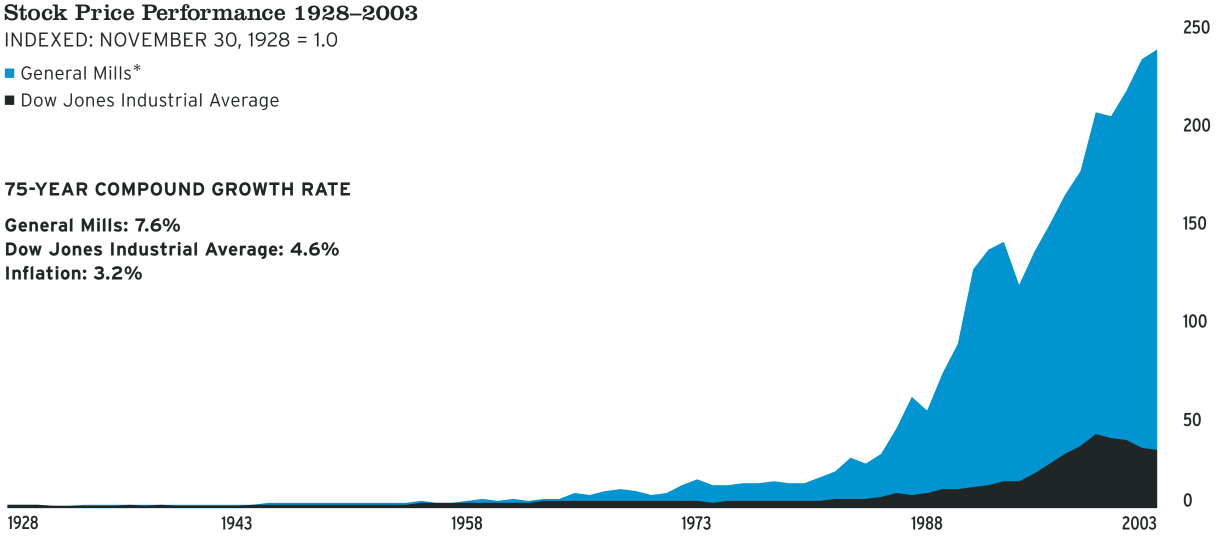
Stock Price Performance 1928–2003

INDEXED: NOVEMBER 30, 1928 = 1.0

■ General Mills*
■ Dow Jones Industrial Average

75-YEAR COMPOUND GROWTH RATE

General Mills: 7.6%
Dow Jones Industrial Average: 4.6%
Inflation: 3.2%



* Adjusted for Stock Splits and Spin-offs
Sources: Economic History Services (Inflation data) and Dow Jones & Company, Inc.

ON THE COVER

General Mills employees are committed to delivering superior results. The employees pictured on the cover, and throughout this report, all own shares of General Mills through our stock-based compensation programs.

Front (l to r): Skip Lieser, Vice President, Finance; Ernesto Fraire, Director, International Finance; Ann Simonds, Vice President, Marketing; Ed Hines, Manager, Consumer Foods Sales; Sharon Pryor, Manager, Information Systems.

Back (l to r): Mike Nordstrom, Vice President, Real Estate and Facilities; Terri Peterson-Fugh, Manager, Compensation; Randal Baker, Vice President, Bakeries and Foodservice Operations; Amy Abouelenein, Manager, Research and Development.

20-Year Shareholder Return

(compound growth rates, price appreciation plus dividends)
May 1983–May 2003

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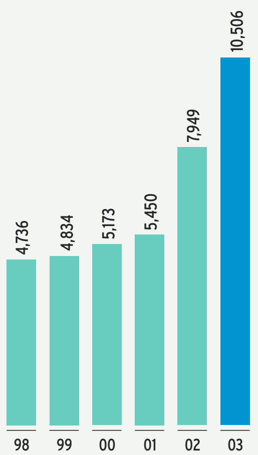
2003 Financial Highlights

IN MILLIONS, EXCEPT PER SHARE DATA

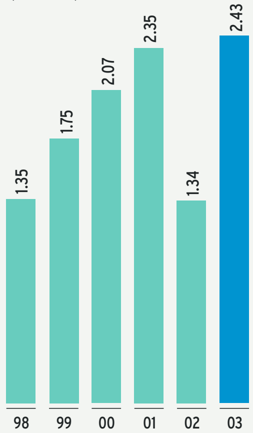
FISCAL YEAR ENDED	May 25, 2003	May 26, 2002	Change
Net Sales	**$10,506**	$7,949	32%
Earnings:			
Earnings Before Interest and Taxes	**1,863**	1,083	72
Net Earnings	**917**	458	100
Earnings Before Identified Items*:			
Earnings Before Interest, Taxes and Identified Items*	**1,995**	1,269	57
Net Earnings Before Identified Items*	**1,002**	579	73
Earnings Per Share:			
Basic	**2.49**	1.38	80
Diluted	**2.43**	1.34	81
Diluted, Before Identified Items*	**2.65**	1.70	56
Average Common Shares Outstanding:			
Basic	**369**	331	11
Diluted	**378**	342	11
Dividends Per Share	**$ 1.10**	$ 1.10	–
Cash Flow from Continuing Operations	**$ 1,631**	$ 916	78

*See the Earnings Highlights on page 14 for a summary of identified items.

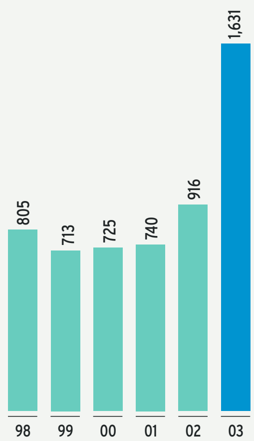
Net Sales
(dollars in millions)



Diluted EPS Comparable for Goodwill
Five-year Compound Growth Rate = 12%
(dollars)



Cash Flow from Continuing Operations
(dollars in millions)



To our shareholders:

General Mills delivered strong financial performance in fiscal 2003, our first full year of operation following the October 2001 acquisition of Pillsbury.

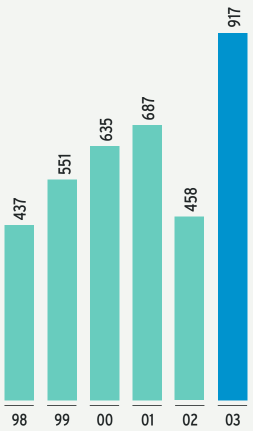
- **Net sales grew 32 percent to $10.5 billion, reflecting good business growth and an incremental five months of Pillsbury results. On a comparable basis (as if we had owned Pillsbury for all 12 months of both 2002 and 2003) our sales grew 6 percent.**
- **Our profit margin expanded as we captured cost synergies from the acquisition.**
- **Net earnings doubled to $917 million.**
- **And our earnings per diluted share (EPS) rose 81 percent to $2.43, up from $1.34 reported in 2002.**

Results for both 2003 and the prior year included certain costs primarily related to the Pillsbury acquisition. These costs are the restructuring and other exit costs identified on our consolidated statements of earnings, and merger-related costs that are included in selling, general and administrative expenses. Earnings and earnings per share, excluding restructuring and merger-related costs, are measures of performance not defined by generally accepted accounting principles (GAAP). We separately identify these costs because they represent expenses associated with an infrequently occurring event, and we believe identifying them improves the comparability of year-to-year results from operations. You should refer to the consolidated financial statements and accompanying footnotes in our 10-K report for a detailed discussion of these costs, which amounted to $85 million after tax in 2003 and $118 million after tax in 2002. Excluding these restructuring and merger-related costs, our 2003 earnings per diluted share would total $2.65, up 56 percent from $1.70 in 2002. The table on page 14 of this report provides a reconciliation of our earnings per share with and without the restructuring and merger-related costs.

Our U.S. retail businesses led operating performance in 2003. Net sales for these businesses grew 25 percent to exceed $7.4 billion, and operating profits grew 66 percent to $1.8 billion pretax. On a comparable basis, net sales grew 6 percent. Comparable unit volume increased 4 percent, led by gains from Big G cereals, *Yoplait* yogurt, *Betty Crocker* dinner mixes and *Progresso* ready-to-serve soups. Consumer retail sales of our major retail product lines rose 5 percent and our composite market share increased slightly for the year. As shown in the table on page three, our major brands hold leading positions in attractive, fast-growing retail food categories.

It was a difficult year for our Bakeries and Foodservice division. Sales for this business segment increased 42 percent to $1.8 billion. However, operating profits and comparable unit volume were essentially unchanged from the prior year. In part, this reflected a difficult U.S. foodservice industry environment. Poor business trends for a number of our customers restrained our volume growth. In addition, price increases that we implemented to offset higher commodity costs took longer than planned to realize. Beyond these issues, profits for Bakeries and Foodservice were hindered by our own manufacturing realignment activities. As we complete the integration of the General Mills and Pillsbury supply chains, we are relocating manufacturing of various product lines from one plant to another, and the short-term disruption has been particularly pronounced for this division. We expect these manufacturing shifts to continue to restrain Bakeries and Foodservice results through the first half of 2004, but then begin contributing to longer-term growth.

Net Earnings Comparable for Goodwill
(dollars in millions)



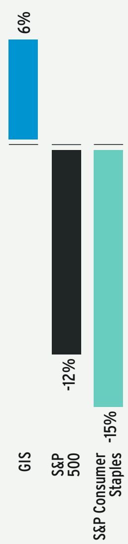
International business results in 2003 were very good overall. Net sales for our wholly owned international businesses grew 67 percent to reach $1.3 billion. In addition, our proportionate share of international joint venture revenues increased to more than $990 million. Comparable unit volume rose 2 percent, as we posted gains in every geographic region but Latin America, where volumes fell 20 percent due to difficult macroeconomic conditions. If you set Latin America aside, our comparable international unit volume increased 6 percent. Operating profits for the wholly owned businesses doubled to $91 million pretax. And our share of joint venture profits, which are included in our income statement on an after-tax basis, nearly doubled to reach $61 million.

We achieved our goal of realizing $350 million in cumulative acquisition cost synergies in 2003. In addition to these savings, our supply chain fixed cost rate per case improved as our unit volumes grew. These factors contributed to an increase in our profit margin. After-tax earnings as a percent of sales rose from 5.8 percent in 2002 to 8.7 percent in 2003.

General Mills' good performance in 2003 resulted in superior returns to shareholders. For the fiscal year, the market price of General Mills stock increased just over 3 percent, and dividends of $1.10 per share represented a yield of more than 2 percent, for a 6 percent total return to shareholders. In contrast, the S&P 500 Index delivered a negative 12 percent return to investors over the same period. We outperformed our peer companies by an even greater margin – total return for the S&P Consumer Staples Index was a negative 15 percent.

This outperformance isn't a one-year phenomenon. Total return to General Mills shareholders has exceeded the market's return over the last five years, and over the last 20 years, as well. In fact, as the chart on the inside front cover of this report shows, GIS has outpaced the market for most of our 75-year history as a publicly held company.

Shareholder Return
Fiscal 2003
(price appreciation plus reinvested dividends)



Leading Market Positions

DOLLARS IN MILLIONS, FISCAL 2003	Category Sales	Category Sales Growth	Our Retail Sales Growth	Our Dollar Share	Rank
Ready-to-eat Cereals	$7,700	2%	2%	32%	2
Refrigerated Yogurt	2,910	13	14	37	1
Mexican Products	2,140	5	2	15	2
Frozen Vegetables	2,120	2	8	20	1
Refrigerated Dough	1,610	3	1	71	1
Ready-to-serve Soup	1,560	6	6	26	2
Dessert Mixes	1,480	2	–3	37	1
Frozen Baked Goods	870	7	21	21	1
Microwave Popcorn	860	7	1	20	2
Frozen Hot Snacks	820	1	5	23	2
Dry Dinners	690	–	11	59	1
Fruit Snacks	590	8	4	62	1

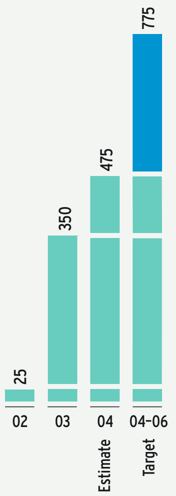
Source: ACNielsen, plus Wal-Mart projections

We believe we are strongly positioned to deliver superior growth and shareholder returns in the years ahead. We've established specific growth goals for the three-year period through 2006. Those goals are:

- 5 to 6 percent compound annual growth in net sales.
- At least 11 percent compound growth in earnings per share.
- Increasing cash flow from operations, sufficient to support the capital investment needs of our growing businesses while reducing debt by a cumulative $2 billion over the three-year period.

We expect fiscal 2004 to give us an excellent start toward these goals. We have a strong lineup of product news and innovation planned for the year. In addition, 2004 is a 53-week fiscal period, so we'll have the benefit of an extra selling week in the fourth quarter. We expect operating profit to grow faster than sales, due in part to an additional $125 million of acquisition synergies we plan to realize this year. This would bring our cumulative annualized acquisition synergies to $475 million. Our 2004 plans do include some additional Pillsbury merger-related and restructuring costs. We are currently estimating those at approximately 10 to 15 cents per share. We expect our EPS growth in 2004 should meet or beat our 11 percent longer-term growth target, both including and excluding the restructuring and merger-related costs.

Cost Synergies and Productivity
(dollars in millions)



We plan to drive our growth in 2004 and beyond by focusing on the same four strategies that fueled our past performance. Those strategies are:

- Product innovation, which drives unit volume and market share gains.
- Channel expansion, to ensure our products are available everywhere people buy food, from dollar stores to delicatessens.
- International expansion, to build our brands in fast-growing markets around the world.
- Margin expansion, to grow our earnings faster than sales.

We continue to believe that adding Pillsbury has made each of these growth strategies better. We think our mix of retail categories offers great opportunities for product and marketing innovation. We see exciting opportunities to expand distribution of our leading brands in fast-growing new retail channels, including natural and organic stores, and club stores. In addition, we've strengthened our opportunities to capture a growing share of away-from-home food sales.

With the addition of the Pillsbury international businesses, we now generate more than $1 billion of our net reported sales in markets outside the United States. Through our wholly owned operations and our joint ventures, we expect to show continued strong growth in international sales and profits. And finally, we expect to drive margin expansion through a continuous focus on productivity savings. For our supply chain operations alone, productivity over the next three years is targeted at a cumulative $300 million pretax.

The following pages of this report to shareholders discuss these four critical growth drivers in more detail. We have confidence that these proven strategies will lead to superior results in the years ahead.

↑ left to right
STEVE SANGER
STEVE DEMERITT
RAY VIAULT

There is one last critical factor that increases our confidence in General Mills' future prospects. It is the strength of General Mills' people and our company's unique culture. General Mills has a long history of success, and our values are strong. We care a lot about our company's culture — and we work hard on it — because it is key to recruiting and retaining top people.

We're convinced our pay-for-performance and stock-based compensation programs are fundamental to our company culture and our superior performance record. For nearly all employees, annual cash compensation is variable, and ties directly to annual ratings of both personal and business unit performance. To underscore the importance of sustained business growth and returns, we've sponsored long-term compensation plans designed to make employees at every level of the company holders of General Mills stock. These programs have included four all-employee stock option grants. The most recent of those, in 2002, reached more than 26,000 employees. This annual report features 42 of our colleagues from around the company. Their combined direct holdings of GIS exceed 22,500 shares. Factor in stock options, and their ownership interest exceeds 500,000 shares. In total, we estimate employees and directors hold nearly 7 percent of our stock. We believe this compensation philosophy promotes business actions in the long-term best interest of the company and all its shareholders.

Our performance-based culture, our portfolio of leading consumer brands and our focused growth strategies have combined to produce superior returns for General Mills shareholders over an extended period of time. All of us at General Mills today are committed to delivering results that will build on this track record in the years ahead.

Sincerely,

STEPHEN W. SANGER
Chairman of the Board and
Chief Executive Officer

STEPHEN R. DEMERITT
Vice Chairman

RAYMOND G. VIAULT
Vice Chairman

July 31, 2003

brands in demand

Product innovation drives our sales growth. Improvements on our established brands, new flavors and new product lines generate volume and market share gains. Our most successful innovations meet consumer needs for foods that are healthy, quick and easy to make, and taste great.

Our *Yoplait* and *Colombo* yogurt lines combine health benefits with great taste and convenience. Our yogurt shipments grew 14 percent in 2003 with the introduction of new flavors and products, such as *Nouriche* yogurt smoothies. *Yoplait Nouriche* offers all the nutrition of a meal and has captured nearly a 30 percent share of the $170 million yogurt beverage category since reaching national distribution in March.

Soymilk is another fast-growing category with great health benefits. Category sales are projected to reach $1 billion over the next three years, with refrigerated varieties leading that growth. *8th Continent* refrigerated soymilk, the first product from our soy joint venture with DuPont, became available nationally in June 2003.

Nature Valley granola bars have been a healthy, portable snack for nearly 30 years. This year, we added a yogurt coating to chewy granola bars and saw sales on the entire *Nature Valley* line increase 50 percent.

When it comes to convenience, *Pillsbury* dough products give consumers baked-from-scratch taste without the work. *Pillsbury* is the leading brand in the $1.6 billion refrigerated dough category. In fiscal 2003, new flavors helped drive growth on crescent rolls and *Grands!* biscuits and sweet rolls. Sales on our *Ready to Bake!* cookies were up double digits thanks to the success of *Big Deluxe Classics* cookies.

Pillsbury's fastest-growing dough business is in the freezer case. Sales for *Pillsbury Home Baked Classics* frozen dinner rolls, biscuits and sweet rolls grew 21 percent in 2003, outpacing the $870 million category's growth. We are increasing our distribution on this line and will add new varieties in 2004.

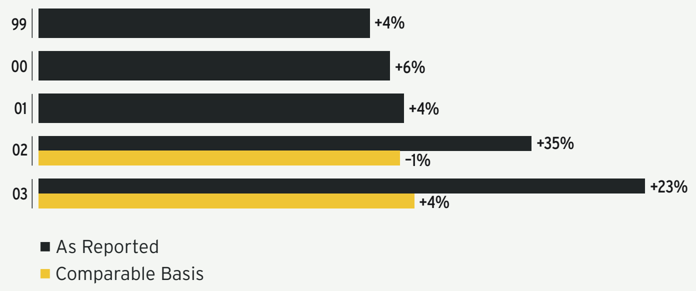
Progresso ready-to-serve soup offers heat-and-eat convenience, and sales grew 6 percent in 2003. We're currently introducing a new *Rich & Hearty* line designed to appeal to adults who want a heartier, more filling soup.

Innovation on new and established products drove 7 percent unit volume growth for Big G cereals this year. *Berry Burst Cheerios*, introduced in January, is our strongest new cereal introduction ever. Established brands, such as *Cheerios* and *Cocoa Puffs*, posted good volume gains thanks to innovative promotions and advertising. And volume on Big G Milk 'n Cereal Bars, which make the nutrition of a cereal breakfast portable, grew 35 percent. We've just introduced a new line of *Oatmeal Crisp* bars.

We'll keep the innovation coming with 81 new U.S. retail products in the first half of 2004 alone. Consumer-focused brand innovation gives us great opportunities for future growth.

U.S. Retail Unit Volume Growth

Innovations that keep our established brands growing and create successful new products are the key to driving unit volume growth. Unit volume for our U.S. retail businesses has grown steadily in recent years, averaging more than 3 percent on a comparable basis.



SUSAN HEDDLESON
Senior R&D Manager

Our product portfolio provides great opportunities to innovate. A variety of people — from consumer insights to marketing to sales — contributed to the successful launch of *Berry Burst Cheerios* last January. In just six months, *Berry Burst Cheerios* has grown to be the seventh largest brand in our cereal portfolio. A research and development team added new varieties to our *Pillsbury Home Baked Classics* line of frozen baked goods, which gives consumers fresh, warm rolls in 12 minutes from freezer to oven.

OLIVIER PERRIN
Senior R&D Scientist

PHIL PROFFITT
Senior Consumer Insights Manager

Innovation on established brands and 116 new products drove 6% comparable sales growth for our U.S. retail businesses.

GINNY GILES
Retail Sales Supervisor

NICK KOKALES
Senior Retail Customer Manager

TOM NIENTIMP
Marketing Manager

MARK HINDMAN
System Engineer

JAN FUNKE
Ingredients Manager

In our Bakeries and Foodservice division, sales and research and development employees worked with Dunkin' Donuts to develop a scone specifically for their 3,700 stores in the United States. Members of our sales and marketing teams are bringing point-of-sale merchandising ideas to our foodservice customers. Since their introduction in June 2002, sales of the *Doughboy's Best* branded cookies to foodservice operators have been growing steadily.

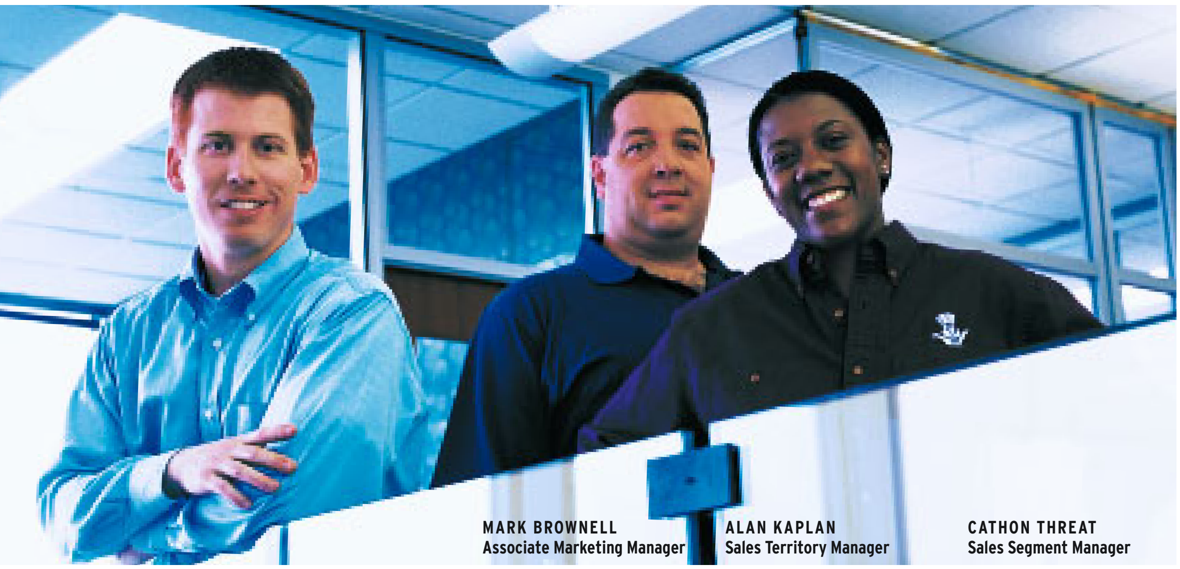
JOE CONRAD
Business Manager

LAURA HANSEN
Senior R&D Manager

TOM PIPER
Marketing Manager

MARK SIRACUSA
Sales Manager

Today, **30%** of our retail sales come from **nontraditional grocery outlets,** and foodservice channels account for another **$1.8** billion **in revenues.**



MARK BROWNELL
Associate Marketing Manager

ALAN KAPLAN
Sales Territory Manager

CATHON THREAT
Sales Segment Manager

more outlets for growth

Consumers today are buying groceries in a lot of new places. Food and beverage sales at club stores, general merchandise chains and natural food stores grew at double-digit rates this past year, significantly outpacing sales in traditional grocery stores. We're finding lots of opportunities for our brands in these new retail channels.

Food sales in natural and organic stores grew to over $4.5 billion in 2002. We compete in this channel with the *Muir Glen* and *Cascadian Farm* brands, which hold the No. 1 or No. 2 dollar share positions in eight categories. In fiscal 2004, we're adding a number of new products, including three new varieties of *Cascadian Farm* cereals. Introduced just last year, *Cascadian Farm* has already become the second best-selling cereal line in natural food stores.

Consumers can grab a *Nature Valley* granola bar or a *Totino's* pizza at a variety of convenience stores, where our sales have been growing rapidly in recent years. In 2003, we introduced more products, including *Pop•Secret* Caramel Nut Popcorn and *Nature Valley* Apple Cinnamon Trail Mix bars, into convenience stores. With this expanded portfolio, our sales in this channel increased 14 percent.

We've developed new product sizes and packaging formats that are well-suited for dollar and club stores. For example, we're selling smaller-sized pouches of several of our baking mixes in dollar stores. And a special flavor of *Betty Crocker* brownie mix with Hershey's® chocolate is coming to club stores.

Sales of food eaten away from home are growing, too. Over the past 15 years, foodservice industry sales have grown at a 5 percent compound rate, faster than retail food sales. And that trend is expected to continue over the long term.

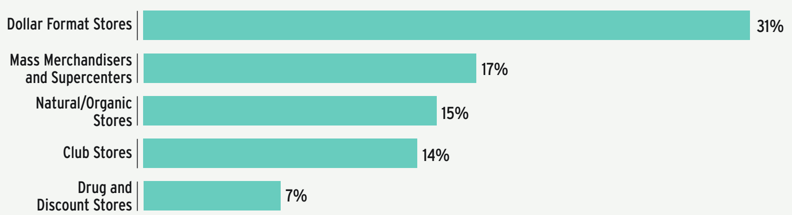
Our Bakeries and Foodservice business, with $1.8 billion in sales, is well-positioned to take advantage of that growth. We're using our baking technology to develop products for a variety of outlets, from grocery store bakeries to quick service restaurants. We've been a key supplier of bagels to Dunkin' Donuts, and we recently developed a scone specifically for this national chain.

Our new foodservice cereal cup package is larger and sturdier, perfect for breakfasts in school cafeterias. This fiscal year, we also put cereal in a pouch to feed the military. We see great opportunities to expand this easy-to-serve packaging to other foodservice products.

With this level of innovation, our Bakeries and Foodservice division is highly respected in the industry. In a recent national survey of foodservice operators, General Mills was ranked No. 3 out of 100 food manufacturers. We see many opportunities to build our business in a variety of growing retail and foodservice channels.

Retail Outlet Sales Growth
(three-year compound growth through December 2002)

Consumers today are making food purchases in a variety of outlets. Food and beverage sales in these new channels are growing at double-digit rates. We are expanding distribution of our brands in many of these growing channels.



Source: ACNielsen Household Panel Data, SPINS (Natural/Organic Stores)

a world of opportunities

Today you can find our products in many countries around the world where food sales are growing faster than in the United States. *Old El Paso* Mexican foods, *Green Giant* vegetables, *Bugles* snacks and *Häagen-Dazs* ice cream are popular international products with great growth potential. We market these brands around the world through either our consolidated businesses or joint ventures.

Sales for our consolidated international operations grew 4 percent in 2003 on a comparable basis. Our business in Canada, which doubled in size with the Pillsbury acquisition, achieved a 3 percent comparable unit volume gain. We hold the No. 1 or No. 2 dollar share position in eight retail categories in Canada, and achieved a record dollar share of the cereal category in 2003.

In Asia, our unit volume increased 6 percent, driven by good growth for *Wanchai Ferry* dumplings in China and *Old El Paso* dinner kits in Australia. Unit volume in Europe grew 4 percent this year. *Old El Paso* dinner kits and *Green Giant* vegetables posted solid volume gains in a variety of European markets. Despite difficult economic conditions in Latin America, our total consolidated international business still met its profit targets for the year.

Our international joint ventures had another year of good sales and unit volume gains. Cereal Partners Worldwide (CPW), our joint venture with Nestlé, posted 7 percent unit volume growth in 2003. And CPW's share of the combined markets in which it competes rose to 22 percent, with good performance by both established and new cereals. CPW also has a growing breakfast bar business in several European markets and added to this line in France with *Fitness* breakfast bars, which are based on a popular CPW adult cereal brand. Our share of net sales for CPW grew to $472 million in 2003.

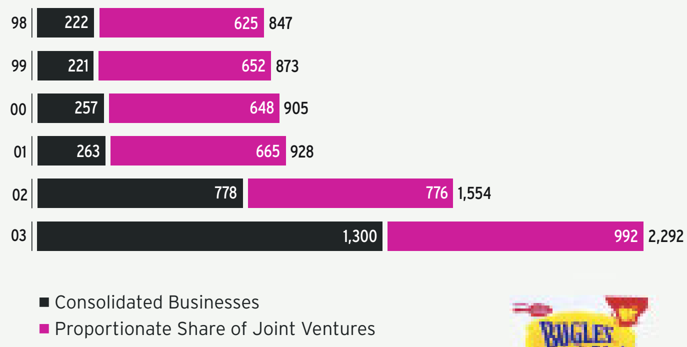
Snack Ventures Europe (SVE), our joint venture with PepsiCo, posted 8 percent volume growth. Southern and Eastern European markets drove this increase, with the fastest growth generated in Russia. SVE continues to show good growth potential as the per capita salty snack consumption in many European markets is still well below that of the United States. Our proportionate share of net sales from SVE grew to $350 million this year.

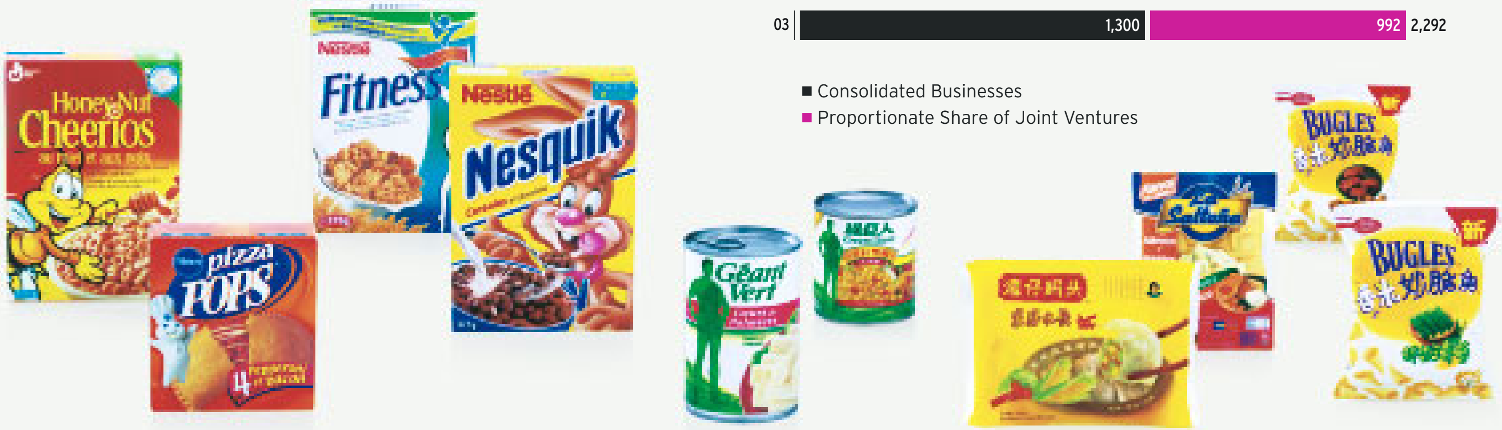
We participate in several *Häagen-Dazs* ice cream joint ventures, the largest of which is in Japan. Our proportionate share of sales for these joint ventures grew to $167 million this year, and we continue to increase our market share in this growing category. The *Crispy Sandwich* ice cream treat developed in Japan continues to do well, and we plan to introduce it in other markets in 2004.

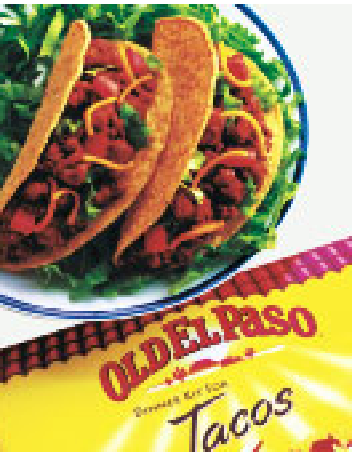
Around the world, we're taking advantage of growing markets and expanding our reach with products that appeal to a variety of international tastes.

International Net Sales
(dollars in millions, excluding exited ventures)

Food sales in many international markets are growing faster than in the United States. We sell our products in 100 countries around the world through our consolidated international businesses and various joint ventures.







COLLEEN KARGEL
Senior R&D Scientist

CARLOTTA ROSEBROCK
Packaging Design Manager

PHIL BOWDEN
Marketing Manager, Australia

KRISTIN STANLEY
International Finance Director

SAMIR BEHL
International Marketing Vice President

Sales for our brands **outside** the **United States** exceeded **$2.2 billion in 2003,** including our share of joint venture revenues.

Employees in our International operations are building brands that suit local tastes around the world. *Old El Paso* is a popular, global brand. Our marketing staff has adapted these Mexican dinner kits to appeal to consumers from Australia to Sweden. Research and development employees create exotic flavor combinations, such as Lychee Cream & Ginger, for *Häagen-Dazs* ice cream sold in European and Asian markets.

ERIC HARCOURT
R&D Engineer


KRISTI WEDEL
Plant Distribution Manager

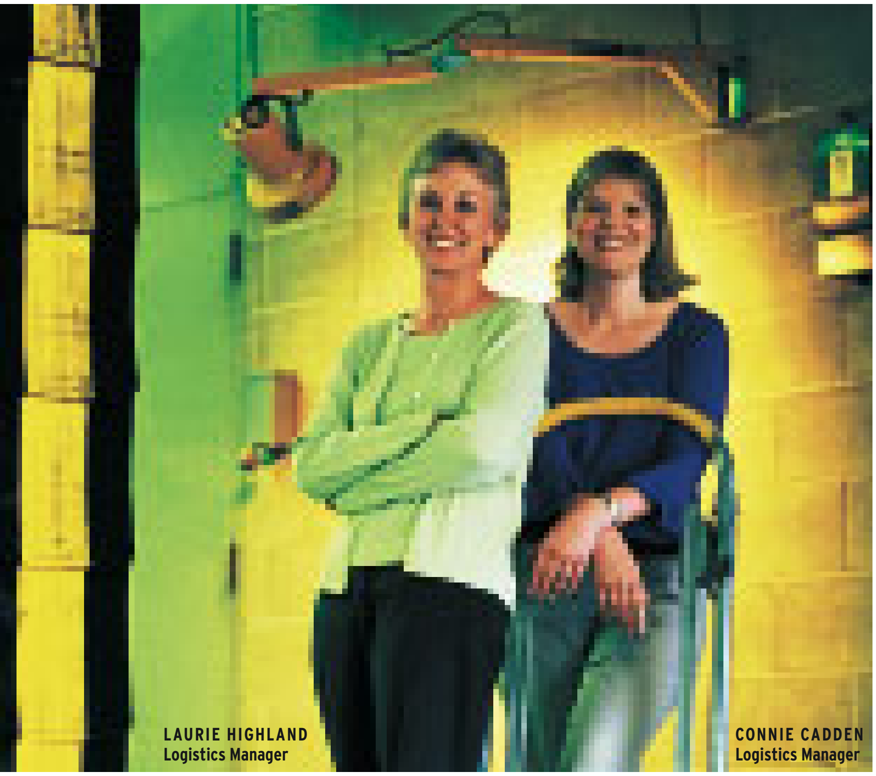
SHEILA HUNTLEY
Senior Customer Service Facility Manager

MARK IORIO
Senior Accounts Operations Manager

A cross-functional team from our sales, supply chain and information systems functions created one distribution network that allows us to ship a full mix of our nonrefrigerated products to our customers. Team members determined the most efficient geographical layout for our distribution facilities, and linked them with one common computer system. And they did it on time, under budget and without any disruption in service to our customers.


BRAD PENTZ
Customer Service Facilities Manager

NICK HOLMAN
Supply Chain Manager


LAURIE HIGHLAND
Logistics Manager

CONNIE CADDEN
Logistics Manager

The combination of **General Mills** and **Pillsbury** is expected to generate **$475 million** in synergy savings, plus ongoing productivity gains.


BOB PETERSON
Information Systems Manager

KATHLEEN McCABE
Information Systems Consultant

LINDA MARCOTTE
Senior Information Systems Analyst

PAUL TEXLEY
Senior Information Systems Analyst

MARY EHRLICHMANN
Information Systems Trainer

cost savings ahead

We expect cost savings from continuous productivity initiatives to help drive our earnings growth. In fiscal 2003, we improved our margins due to cost savings achieved by combining Pillsbury and General Mills. By streamlining many parts of our organization, we reached our target of $350 million in cumulative acquisition synergies. And we're not done yet. Our goal in fiscal 2004 is to achieve an additional $125 million in annualized synergies, along with ongoing productivity savings.

Synergy cost savings in 2003 came from a variety of places across the company. For example, we eliminated redundancies and leveraged our existing resources in consumer insights and other marketing support areas to bring work done externally into General Mills.

Our U.S. retail sales organization contributed significantly to our cost savings. We eliminated duplicate systems and now have one order, invoice and payment system for our customers. We nearly doubled the number of retail representatives who are in stores daily working with retailers, making sure our products are available on store shelves. Yet, by focusing on profitable volume growth, we improved our cases sold per employee by 15 percent. And we increased baseline, or nondiscounted, sales volume while reducing our overall trade promotion cost per case.

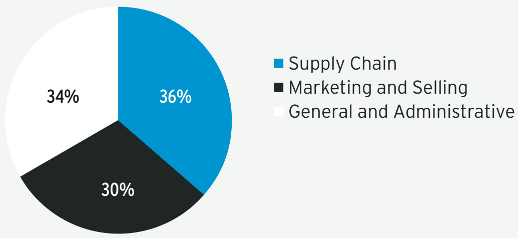
Our supply chain also took steps to increase productivity and achieve synergy savings. Pillsbury was one of the largest buyers of flour in the United States. Today, we are our own supplier of much of the wheat flour used in *Pillsbury* dough products. We streamlined our manufacturing operations, moving 14 percent of our production capacity to different plants to improve efficiency. We brought manufacturing previously done at external locations into General Mills' expanded manufacturing base. And there's more to come. Over the next 10 years, we expect to deliver a cumulative $800 million pretax in supply chain productivity savings.

We've built a distribution network where we can combine shipments of General Mills and Pillsbury shelf-stable products, and we're doing the same thing with our refrigerated and frozen products. This configuration is more efficient for our customers, as a wider variety of products arrives on fewer trucks. It's also cost effective for us, since this more efficient use of distribution resources allowed us to reduce our number of distribution centers from 32 to 19, resulting in significant cost savings.

The combination of Pillsbury and General Mills provides strong opportunities for cost synergy and productivity savings in the years ahead. We believe our focus on increasing productivity in all areas of the company positions us well for continued margin improvement.

Sources of Acquisition Synergies
(percentage of cumulative $475 million target)

The combination of General Mills and Pillsbury provided a great opportunity for synergy cost savings companywide. In 2003, we reached our interim goal of $350 million in cumulative savings by eliminating redundancies in our supply chain and marketing activities, as well as reducing our selling, general and administrative costs.



Financial Review

This summary provides a broad overview of our recent financial performance and future expectations. It is not intended to provide all the information required for a comprehensive financial presentation. For a complete presentation of General Mills' financial results, including the consolidated financial statements, Management's Discussion and Analysis (MD&A), and accompanying notes and schedules, refer to our 2003 Annual Report on Form 10-K.

Our consolidated businesses are divided into three primary segments: U.S. Retail, Bakeries and Foodservice, and International. We also operate joint ventures with various partners and report our proportionate share of each venture's earnings on an after-tax basis. The acquisition of The Pillsbury Company on Oct. 31, 2001, significantly affects comparisons for our results of operations, as 2003 includes a full year of Pillsbury results and 2002 includes Pillsbury for just seven months.

Earnings Highlights Net sales rose 32 percent in 2003 to $10.5 billion, with higher unit volume accounting for 30 points of that gain. Promotional spending, which is deducted from gross sales, grew slower than unit volume, and this efficiency contributed the remaining 2 points of net sales growth. On a comparable basis, net sales increased 6 percent and worldwide unit volume rose 3 percent.

Net Sales Detail

IN MILLIONS

FISCAL YEAR	2003	2002
Big G Cereals	**$ 1,998**	$1,866
Meals	**1,702**	1,144
Pillsbury USA	**1,438**	793
Baking Products	**549**	567
Snacks	**788**	722
Yogurt/Organic Foods/Other	**932**	815
Total U.S. Retail	**7,407**	5,907
Bakeries and Foodservice	**1,799**	1,264
Canada	**383**	283
Rest of World	**917**	495
Total International	**1,300**	778
Consolidated Total	**$10,506**	$7,949

Cost of goods sold fell slightly as a percent of sales, from 59 percent in fiscal 2002 to 58 percent in 2003. This improvement was primarily due to volume growth, which resulted in better absorption of fixed costs, and synergies from the Pillsbury acquisition.

Selling, general and administrative costs as a percent of sales also improved, decreasing from 26 percent in fiscal 2002 to 24 percent in fiscal 2003. This improvement primarily reflects cost synergies realized from the Pillsbury acquisition.

Earnings before interest and taxes (EBIT) rose 72 percent to $1.9 billion. Total interest expense of $547 million in fiscal 2003 was up 31 percent from 2002, reflecting 12 months of higher debt resulting from the acquisition. However, the increase in interest expense was mitigated by favorable rates and successful debt refinancing activities, discussed in the section below titled "Capital Structure." We expect interest expense in 2004 to decline to between $500 and $530 million as we begin reducing our debt balance.

Our effective tax rate fell from 35.8 percent in 2002 to 35.0 percent in 2003. After-tax earnings from joint ventures totaled $61 million, up from $33 million in 2002. Total earnings after tax doubled to $917 million. Average diluted shares outstanding were 378 million, up 11 percent from 342 million in fiscal 2002 due to the full-year impact of shares issued to Diageo as part of the acquisition. Diluted earnings per share totaled $2.43 in 2003 compared to $1.34 earned in 2002.

General Mills recorded certain costs in 2003 and 2002 relating to the Pillsbury acquisition. These items are the restructuring and other exit costs segregated on the consolidated statements of earnings, and merger-related costs (including consulting, system conversions, relocation, training and communications) included in selling, general and administrative expense. These expenses totaled $186 million pretax, $118 million after tax, or 35 cents per diluted share in 2002, and $132 million pretax, $85 million after tax, or 22 cents per diluted share in 2003.

Excluding identified items, our net earnings grew 73 percent to $1.0 billion, and our diluted EPS grew 56 percent to $2.65. Earnings and earnings per share excluding restructuring, other exit and merger-related costs are measures of performance that are not defined by generally accepted accounting principles (GAAP) and should be viewed in addition to, and not in lieu of, our net earnings and diluted earnings per share as reported on a GAAP basis. The accompanying table reconciles the reported results with the results excluding identified items.

Reconciliation of GAAP and Non-GAAP Measures

IN MILLIONS, EXCEPT PER SHARE DATA

FISCAL YEAR	2003		2002	
		Diluted EPS		Diluted EPS
Net Earnings	**$ 917**	**$2.43**	$ 458	$1.34
Restructuring and Other Exit Costs, After Tax	**40**	**0.11**	84	0.25
Merger-related Costs,* After Tax	**45**	**0.12**	34	0.10
Adoption of SFAS 133	**–**	**–**	3	0.01
EAT Excluding Restructuring, Other Exit and Merger-related Costs	**$1,002**	**$2.65**	$ 579	$1.70
Earnings Before Taxes and Joint Ventures	**$1,316**		$ 667	
Interest, Net	**547**		416	
Earnings Before Interest and Taxes (EBIT)	**$1,863**		$1,083	
Restructuring and Other Exit Costs	**62**		134	
Merger-related Costs*	**70**		52	
EBIT Excluding Restructuring, Other Exit and Merger-related Costs	**$1,995**		$1,269	

*Included in selling, general and administrative expenses

Cash Flow Highlights In fiscal 2003, General Mills' cash flow from operating activities grew 78 percent to $1.6 billion. We used some of that cash to support the growth of our business. Capital investment for fixed assets and intangibles totaled $750 million, including expenditures associated with the acquisition and integration of Pillsbury. We expect capital expenditures in fiscal 2004 to fall to approximately $650 million as integration activities are completed.

Cash returned to shareholders as dividends in 2003 totaled $406 million, a payout ratio of 45 percent of diluted earnings per share. We intend to maintain the annual dividend rate of $1.10 per share in 2004, but expect to increase dividends longer term as our earnings grow.

During fiscal 2003, General Mills paid Diageo $273 million under the Contingent Value Right (CVR) agreement that was part of the Pillsbury transaction. The CVR guaranteed Diageo a certain value for its 79 million shares of General Mills stock 18 months after the close of the acquisition; the $273 million payout was well below the maximum possible payment of $395 million. General Mills also paid $89 million to Diageo for three-year call options on 29 million General Mills shares. These options were purchased in conjunction with a General Mills convertible bond offering discussed below.

Capital Structure The table below summarizes General Mills' capital structure. In fiscal 2003, our total debt as defined by GAAP declined by approximately $582 million to $8.9 billion. Internally we measure total adjusted debt, a broader definition that includes the debt equivalent of lease expense, tax benefit leases and minority interests, and is net of marketable investments and most of our cash balance. Free cash flow allowed us to reduce adjusted debt plus minority interests to $9.0 billion at the end of 2003. As we complete the integration of Pillsbury, we expect our free cash flow to increase, and have set a target to pay down a cumulative $2 billion of our total adjusted debt over the next three years, including at least $450 million in fiscal 2004.

The goal of our debt reduction plan is to return to a mid-A rating for our corporate debt. Currently, Standard and Poor's Corporation has ratings of "BBB+" on our publicly held long-term debt and "A-2" on our commercial paper. Moody's Investors Services, Inc., has ratings of "Baa2" on our long-term debt and "P-2" for our commercial paper. Fitch Ratings, Inc., rates our long-term debt "BBB+" and our commercial paper "F-2." Dominion Bond Rating Service in Canada currently rates General Mills as "A-low." We have access to credit facilities totaling $2.2 billion, but currently have no outstanding balance drawn on these lines.

Capital Structure

IN MILLIONS	May 25, 2003	May 26, 2002
Notes Payable	**$ 1,236**	$ 3,600
Current Portion of Long-term Debt	**105**	248
Long-term Debt	**7,516**	5,591
Total Debt	**$ 8,857**	$ 9,439
Deferred Income Taxes – Tax Leases	**68**	71
Leases – Debt Equivalent	**550**	423
Certain Cash and Cash Equivalents	**(623)**	(894)
Marketable Investments, at Cost	**(142)**	(135)
Adjusted Debt	**$ 8,710**	$ 8,904
Minority Interests	**300**	153
Adjusted Debt plus Minority Interests	**$ 9,010**	$ 9,057
Stockholders' Equity	**4,175**	3,576
Total Capital	**$13,185**	$12,633

Since closing the Pillsbury acquisition, we have refinanced approximately $6 billion of short-term debt with longer-term debt at favorable rates. In fiscal 2003, we refinanced roughly $2 billion of that total: $135 million of core index five-year notes at 3.875%, $350 million of 3.9% five-year bonds, $72 million of retail notes at various rates, and $1.5 billion of zero-coupon 2% convertible debentures. The debentures are convertible after three years into a total of 29 million shares of General Mills common stock. In order to prevent share dilution in the event of conversion, we purchased call options from Diageo for 29 million shares. If the owners of the debentures exercise their rights of conversion, we could exercise our options to purchase Diageo's shares so that total shares outstanding remain constant.

Our stockholders' equity grew to $4.2 billion in 2003 due to an increase in retained earnings, and our equity market capitalization as of May 25, 2003, was $17.2 billion, based on a price of $46.56 per share and 369 million basic shares outstanding. Our total market capitalization, including adjusted debt, minority interests and equity capital, grew from $25.7 billion in 2002 to $26.2 billion in 2003.

Pension/Postretirement Benefits The table below summarizes key information relating to our pension and postretirement benefit plans. Together these plans contributed a net $48 million pretax income excluding curtailments, or 8 cents per diluted share, in 2003. For 2004, we have reduced our assumed rate of return on assets to 9.6 percent for all plans. Based on our current assumptions, we expect pension and postretirement plans to represent combined net expense of approximately $12 million pretax, or 2 cents per diluted share, in 2004. For a complete discussion of our plan assumptions, see Note 14 in our Form 10-K.

Pension and Postretirement Benefit Summary

IN MILLIONS	Pension Plans		Postretirement Benefit Plans	
FISCAL YEAR-END AMOUNTS	2003	2002	2003	2002
Ending Fair Value of Plan Assets	**$2,541**	$2,671	**$ 202**	$ 233
Ending Obligations	**2,765**	2,100	**814**	611
Funded Status of Plans	**$ (224)**	$ 571	**$(612)**	$ (378)
Unrecognized Amounts	**1,262**	380	**329**	137
Net Amount Recognized	**$1,038**	$ 951	**$(283)**	$ (241)
FISCAL YEAR TOTALS				
Net (Income) Expense	**$ (82)**	$ (85)	**$ 40**	$ 25
FISCAL YEAR ASSUMPTIONS	2003	2002	2003	2002
Discount Rate – Expenses	**7.50%**	7.75%	**7.50%**	7.75%
Discount Rate – Obligations	**6.00**	7.50	**6.00**	7.50
Rate of Return on Plan Assets	**10.4**	10.4	**10.0**	10.0
Salary Increases	**4.4**	4.4	**–**	–
Annual Increase in Cost of Benefits	**–**	–	**8.3**	8.3

Forward-looking Statements This report to shareholders contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 that are based on management's current expectations and assumptions. These forward-looking statements, including the statements in this Financial Review and in the Letter to Shareholders, are subject to certain risks and uncertainties that could cause actual results to differ materially from the potential results discussed in the forward-looking statements. Refer to the information set forth under the heading "Cautionary Statement Relevant to Forward-looking Information for the Purpose of 'Safe Harbor' Provisions of the Private Securities Litigation Reform Act of 1995," in Item One of our fiscal 2003 Form 10-K Annual Report, for factors that could impact our future results.

A Long-standing Commitment to Corporate Governance

General Mills' corporate governance practices have evolved over many years. The board of directors and management draw on these practices to pursue the company's strategic objectives and to drive long-term shareholder value creation. All board committees, except the Executive Committee, are composed of independent directors, each of whom stands for re-election annually and serves no more than 15 years. Together, the board and management implement General Mills' compensation programs, which are closely linked to business performance and are designed to align employee and shareholder interests. For more information on our corporate governance practices, see our 2003 Proxy Statement.

Board of Directors

Stephen R. Demeritt
Vice Chairman,
General Mills, Inc.(1)

Livio D. DeSimone
Retired Chairman of the Board and Chief Executive Officer, 3M
(diversified manufacturer)(1,2,3*,6)
St. Paul, Minnesota

William T. Esrey
Chairman Emeritus,
Sprint Corporation
(telecommunication systems)(1,3,4*,5)
Overland Park, Kansas

Raymond V. Gilmartin
Chairman of the Board,
President and Chief Executive Officer, Merck & Company, Inc.
(pharmaceuticals)(2,3,5*)
Whitehouse Station, New Jersey

Judith Richards Hope
Partner, Paul, Hastings,
Janofsky & Walker LLP
(attorneys)(1,4,5,6*)
Washington, D.C.

Robert L. Johnson
Founder and Chief Executive Officer,
Black Entertainment Television,
a subsidiary of Viacom, Inc.
(media and entertainment)(4,5,6)
Washington, D.C.

John M. Keenan
Chief Executive Officer,
Grand Cru Consulting, Ltd.
London, England

Heidi G. Miller
Executive Vice President and
Chief Financial Officer,
Bank One Corporation(2,3,4)
New York, New York

Hilda Ochoa-Brillembourg
Founder, President and
Chief Executive Officer,
Strategic Investment Group
(investment management)
Arlington, Virginia

Stephen W. Sanger
Chairman of the Board and
Chief Executive Officer,
General Mills, Inc.(1*)

A. Michael Spence
Professor Emeritus and
Former Dean,
Graduate School of Business,
Stanford University, and
Partner, Oak Hill
Venture Partners(1,2*,3,5)
Stanford, California

Dorothy A. Terrell
Partner,
First Light Capital
(venture capital)(2,4,6)
Boston, Massachusetts

Raymond G. Viault
Vice Chairman,
General Mills, Inc.(1)

Paul S. Walsh
Chief Executive Officer,
Diageo plc
(premium alcoholic beverages)
London, England

BOARD COMMITTEES:

1. Executive 2. Audit 3. Compensation 4. Finance 5. Corporate Governance 6. Public Responsibility
*Denotes Committee Chair

Senior Management

Y. Marc Belton
Senior Vice President,
Yoplait-Colombo, Canada
and New Business

Peter J. Capell
Senior Vice President;
President, Snacks Unlimited

Randy G. Darcy
Senior Vice President,
Chief Technical Officer

Rory A. Delaney
Senior Vice President,
Strategic Technology
Development

Stephen R. Demeritt
Vice Chairman

Ian R. Friendly
Senior Vice President;
President, Big G Cereals

David P. Homer
Vice President;
President, Baking Products

James A. Lawrence
Executive Vice President,
Chief Financial Officer

John T. Machuzick
Senior Vice President;
President,
Bakeries and Foodservice

Siri S. Marshall
Senior Vice President,
Corporate Affairs,
General Counsel and Secretary

Christopher D. O'Leary
Senior Vice President;
President, Meals

S. Paul Oliver**
Senior Vice President

Michael A. Peel
Senior Vice President,
Human Resources and
Corporate Services

Kendall J. Powell
Senior Vice President;
Chief Executive Officer,
Cereal Partners Worldwide

Lucio Rizzi
Senior Vice President;
President, International

Peter B. Robinson
Senior Vice President;
President, Pillsbury USA

Jeffrey J. Rotsch
Senior Vice President;
President, Consumer Foods Sales

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

Christina L. Shea
Senior Vice President;
President,
General Mills Foundation

Christi L. Strauss
Vice President;
President, General Mills Canada

Austin P. Sullivan Jr.†
Senior Vice President,
Corporate Relations

Kenneth L. Thome
Senior Vice President,
Financial Operations

David B. VanBenschoten
Vice President, Treasurer

Raymond G. Viault
Vice Chairman

Robert F. Waldron
Vice President;
President, Yoplait-Colombo

**Retires Jan. 1, 2004
†Retires Jan. 31, 2004

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Phone: (763) 764-7600

Internet
For corporate reports and company news, visit our Web site at:
www.generalmills.com

Markets
New York Stock Exchange
Trading Symbol: GIS

Transfer Agent, Registrar, Dividend Payments and Dividend Reinvestment Plan
Wells Fargo Bank Minnesota, N.A.
161 North Concord Exchange
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St. Paul, MN 55164-0854
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(651) 450-4084
E-mail:
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Account access via Web site:
www.shareowneronline.com

Independent Auditor
KPMG LLP
4200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402-3900
Phone: (612) 305-5000

Investor Inquiries
Contact the Investor Relations department at (800) 245-5703 or (763) 764-3202.

Notice of Annual Meeting
The annual meeting of General Mills shareholders will be held at 11 a.m., Central Daylight Time, Monday, Sept. 22, 2003, at the Children's Theatre Company, 2400 Third Avenue South, Minneapolis, Minnesota.

Corporate Citizenship Report
General Mills' 2003 Corporate Citizenship Report details the company's many community service and philanthropic activities. To receive a copy, write to:
General Mills Community Action
P.O. Box 1113
Minneapolis, MN 55440-1113

Holiday Gift Boxes

General Mills Gift Boxes are a part of many shareholders' December holiday traditions. To request an order form, call us toll free at (866) 209-9309 or write, including your name, street address, city, state, zip code and phone number (including area code) to:

2003 Holiday Gift Box Offer
General Mills, Inc.
P.O. Box 5082
Stacy, MN 55078-5082

Please contact us after Sept. 1, 2003.

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