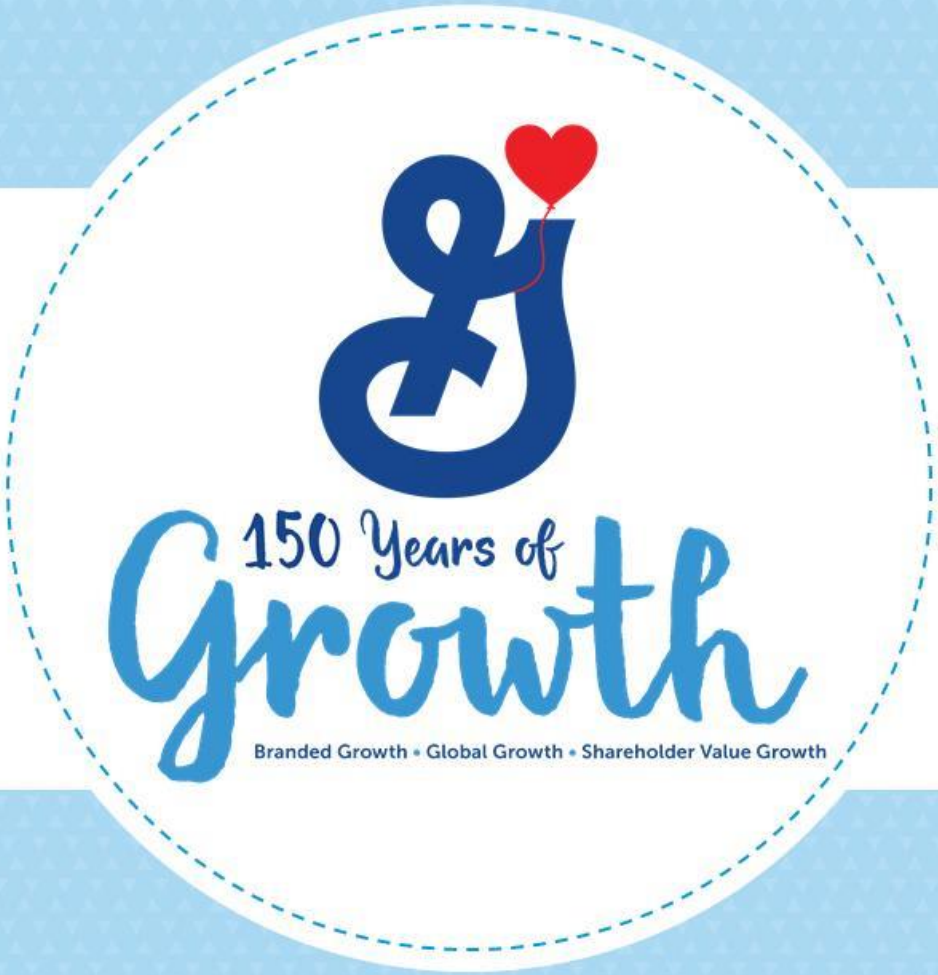


General Mills

Fiscal 2017
Second Quarter Results

December 20, 2016

A Reminder on Forward-looking Statements

This presentation 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 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. In particular, our predictions about future net sales and earnings could be affected by a variety of factors, including: competitive dynamics in the consumer foods industry and the markets for our products, including new product introductions, advertising activities, pricing actions and promotional activities of our competitors; economic conditions, including changes in inflation rates, interest rates, tax rates, or the availability of capital; product development and innovation; consumer acceptance of new products and product improvements; consumer reaction to pricing actions and changes in promotion levels; acquisitions or dispositions of businesses or assets; changes in capital structure; changes in the legal and regulatory environment, including labeling and advertising regulations and litigation; impairments in the carrying value of goodwill, other intangible assets, or other long-lived assets, or changes in the useful lives of other intangible assets; changes in accounting standards and the impact of significant accounting estimates; product quality and safety issues, including recalls and product liability; changes in consumer demand for our products; effectiveness of advertising, marketing and promotional programs; changes in consumer behavior, trends and preferences, including weight loss trends; consumer perception of health-related issues, including obesity; consolidation in the retail environment; changes in purchasing and inventory levels of significant customers; fluctuations in the cost and availability of supply chain resources, including raw materials, packaging and energy; disruptions or inefficiencies in the supply chain; effectiveness of restructuring and cost savings initiatives; volatility in the market value of derivatives used to manage price risk for certain commodities; benefit plan expenses due to changes in plan asset values and discount rates used to determine plan liabilities; failure or breach of our information technology systems; foreign economic conditions, including currency rate fluctuations; and political unrest in foreign markets and economic uncertainty due to terrorism or war. The company undertakes no obligation to publicly revise any forward-looking statements to reflect any future events or circumstances.



Second Quarter Fiscal 2017 Summary

Ken Powell

Chairman and Chief Executive Officer

Second Quarter Fiscal 2017 Summary

- Solid Margin Expansion and EPS Growth
- Topline Performance Remains Challenging
- Updating Full-year Expectations:
  - Adjusted Diluted EPS* and Adjusted Operating Profit Margin* Unchanged
  - Organic Net Sales* and Total Segment Operating Profit* Lowered
  - Free Cash Flow* Increased
- Announced New Global Organizational Structure

*Non-GAAP measures.



Second Quarter Fiscal 2017 Financial Review

Don Mulligan

EVP, Chief Financial Officer

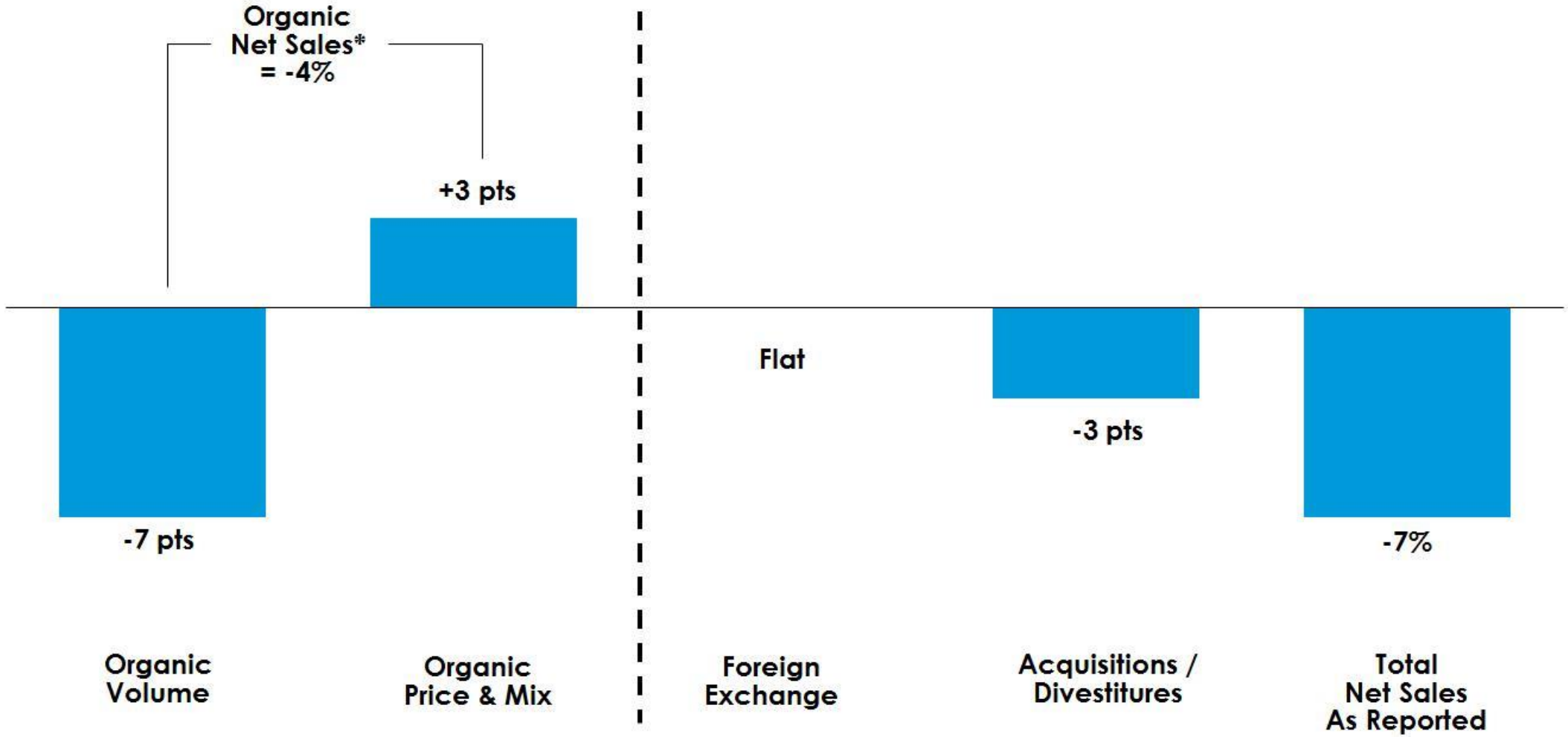
Second Quarter Fiscal 2017 Financial Summary

($ in Millions, Except per Share)

	$	% Change	Organic % Change*	Constant-currency % Change*
Net Sales	$4,112	-7%	-4%	
Segment Operating Profit*	830	-1		Flat
Net Earnings Attributable to General Mills	482	-9		
Diluted EPS	$0.80	-8		
Certain Items Affecting Comparability	0.05			
Adjusted Diluted EPS*	$0.85	+4%		+5%

*Non-GAAP measures. See appendix for reconciliation.

Second Quarter Fiscal 2017
Components of Net Sales Growth



*Non-GAAP measure.

Second Quarter Fiscal 2017
U.S. Retail Segment

Segment Operating Profit: $615MM, +2% vs. LY

Net Sales Growth

Snacks	+1%
Cereal	-3
Baking Products	-7
Yogurt	-17
Meals	-17
Total U.S. Retail	-9%
Organic Growth*	-6%



*Non-GAAP measure. See appendix for reconciliation.

Second Quarter Fiscal 2017
Convenience Stores & Foodservice Segment

Segment Operating Profit: $109MM, +6% vs. LY

Net Sales Growth

6 Focus Platforms	+2%
Other	-10
Total CS&F	-4%
Organic Growth*	-4%



*Non-GAAP measure. See appendix for reconciliation.

Second Quarter Fiscal 2017 International Segment

Segment Operating Profit: $106MM, Constant-currency Growth -18%* vs. LY

Constant-currency Net Sales Growth by Region*

Asia / Pacific	Flat
Latin America	-2%
Europe	-3
Canada	-7
Total International	-3%
Organic Growth*	-1%



*Non-GAAP measure. See appendix for reconciliation.

Second Quarter Fiscal 2017 Joint Venture Results

After-tax Earnings: $30MM; +27% vs. LY in Constant Currency*





Cereal Partners Worldwide

Net Sales: +3%**



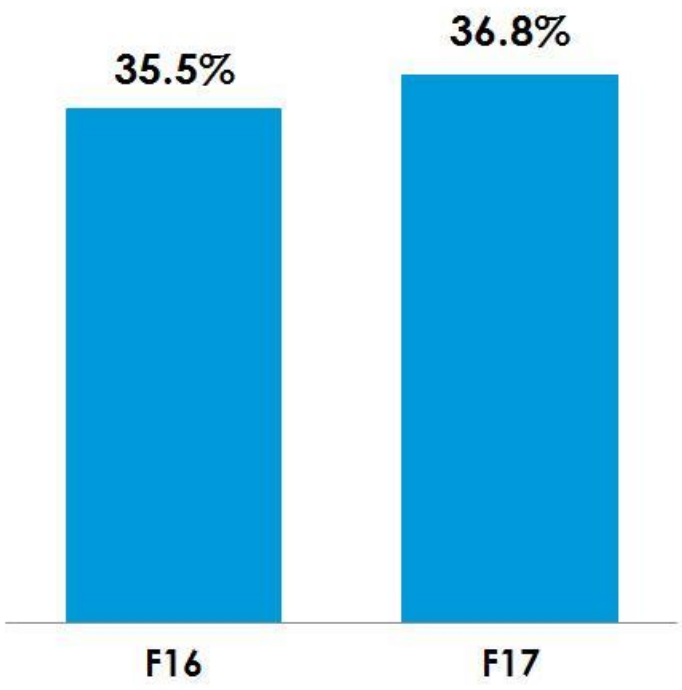
Häagen-Dazs Japan

Net Sales: +21**

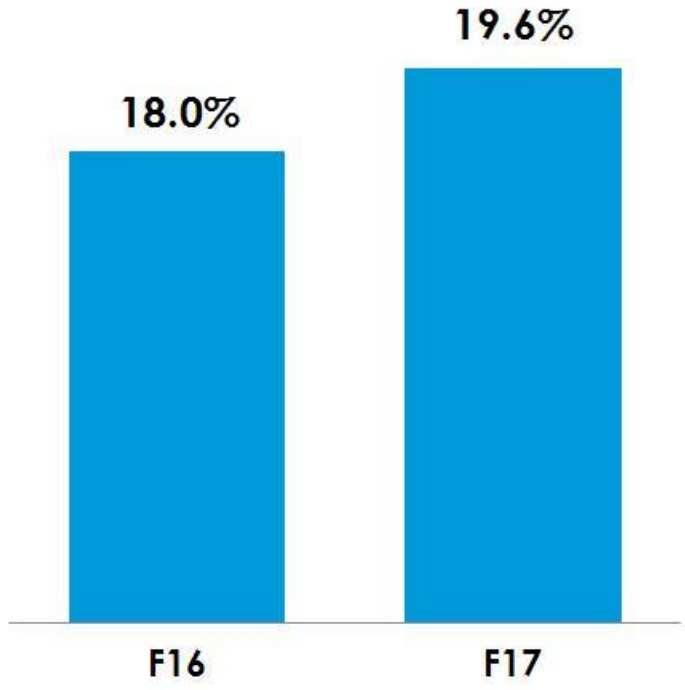
*Non-GAAP measure. See appendix for reconciliation.
**Growth rates in constant currency.

Second Quarter Fiscal 2017 Margin Results

Adjusted Gross Margin*
(% of Net Sales)



Adjusted Operating Profit Margin*
(% of Net Sales)



- Cost Savings Offsetting Input Cost Inflation
- Expect 2% Inflation for Full Year

*Non-GAAP measures. See appendix for reconciliation.

Second Quarter Fiscal 2017
Other Income Statement Items

- Restructuring & Project-related Charges of $53MM Pretax (Includes $24MM in Cost of Sales)
- Unallocated Corporate Expense Decreased Excluding Certain Items
- Net Interest Expense 2% Above Last Year
- Adjusted Effective Tax Rate 32.4% vs 32.3% LY*
- Average Diluted Shares Outstanding Down 2%

*Non-GAAP measure. See appendix for reconciliation.

First Half Fiscal 2017 Financial Summary

($ in Millions, Except per Share)

	$	% Change	Organic % Change*	Constant-currency % Change*
Net Sales	$8,020	-7%	-4%	
Segment Operating Profit*	1,618	-3		-2%
Net Earnings Attributable to General Mills	891	-7		
Diluted EPS	$1.47	-6		
Certain Items Affecting Comparability	0.16			
Adjusted Diluted EPS*	$1.63	+1%		+2%

*Non-GAAP measures. See appendix for reconciliation.

Core Working Capital

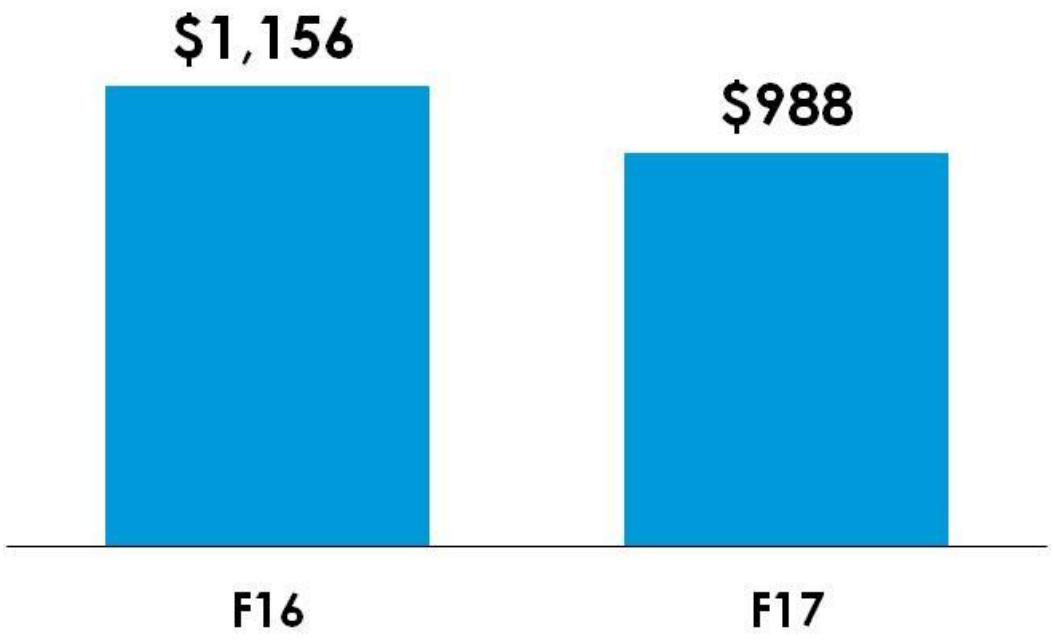
($ in Millions)

	Q2		
	F17	**F16**	**% Change**
Accounts Receivable	$1,383	$1,461	
Inventories	1,526	1,455	
Accounts Payable	1,938	1,704	
Total Core Working Capital	**$971**	**$1,212**	**-20%**

First Half Fiscal 2017 Cash Flow Highlights

1H Operating Cash Flow

($ in Millions)



- Fixed Asset Investment = $318MM
- Dividends Paid = $576MM
- Net Share Repurchases = $1,273MM

New Global Organization Structure

- Reorganizing Into Four Business Groups:
  - North America Retail
  - Europe & Australia
  - Asia & Latin America
  - Convenience Stores & Foodservice
- Anticipate Eliminating 400 to 600 Positions Worldwide
- Estimate Savings of $70 to $90 Million by F18
- Intend to Report Under New Structure in Q3 F17

Significant Progress Streamlining Structure and Driving Cost Savings Since Fiscal 2015

COGS HMM Savings (F15-F17)

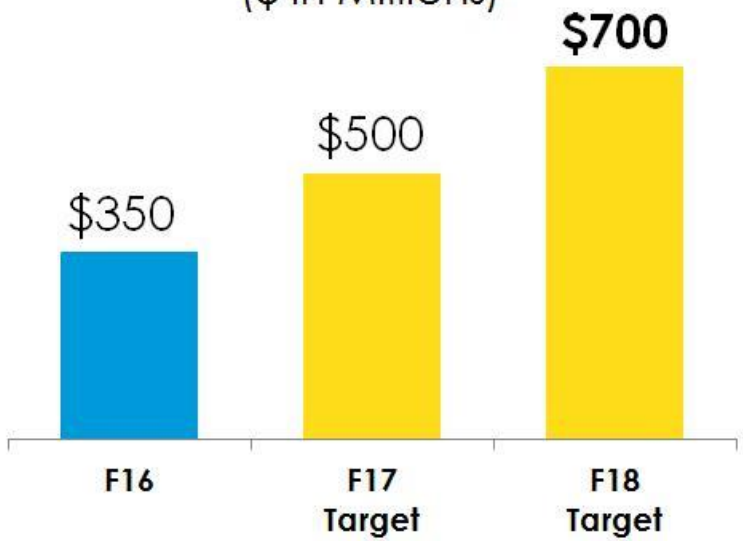
- Cumulative COGS HMM Savings = **$1.2B**

Announced Projects (F15-F18)

- Announced Closure of 11 Plants
- ~5,000 Positions Impacted
  - Includes Plants and Organization Changes
- Implemented ZBB

Announced Projects Cost Savings

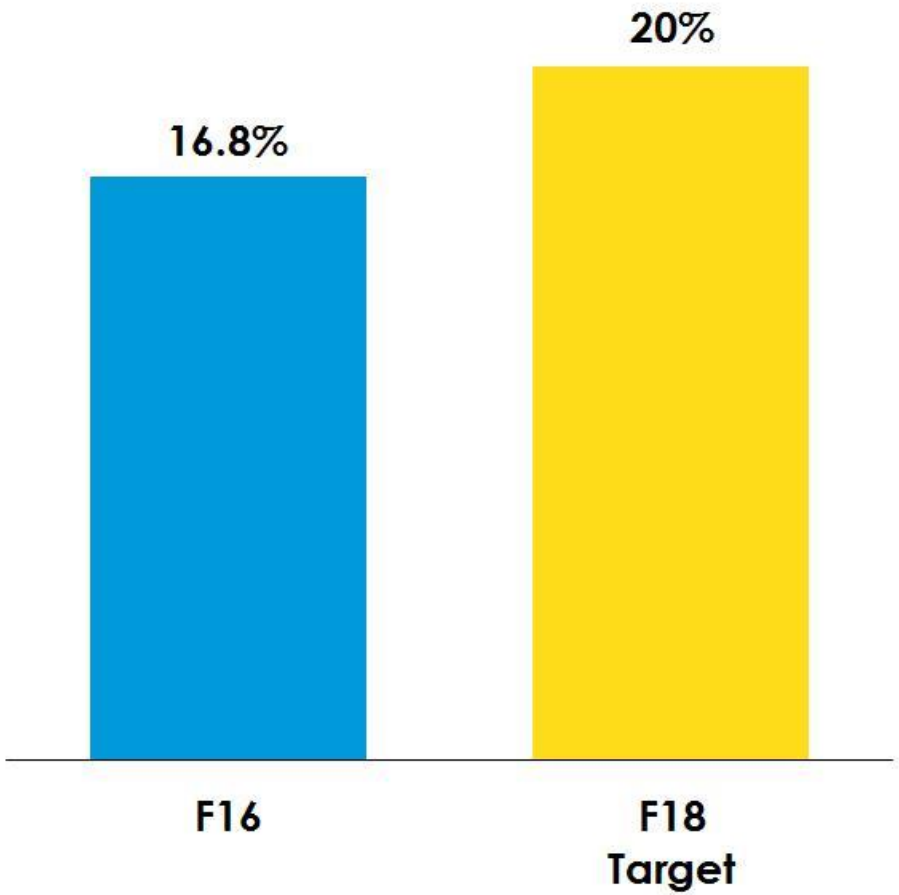
($ in Millions)



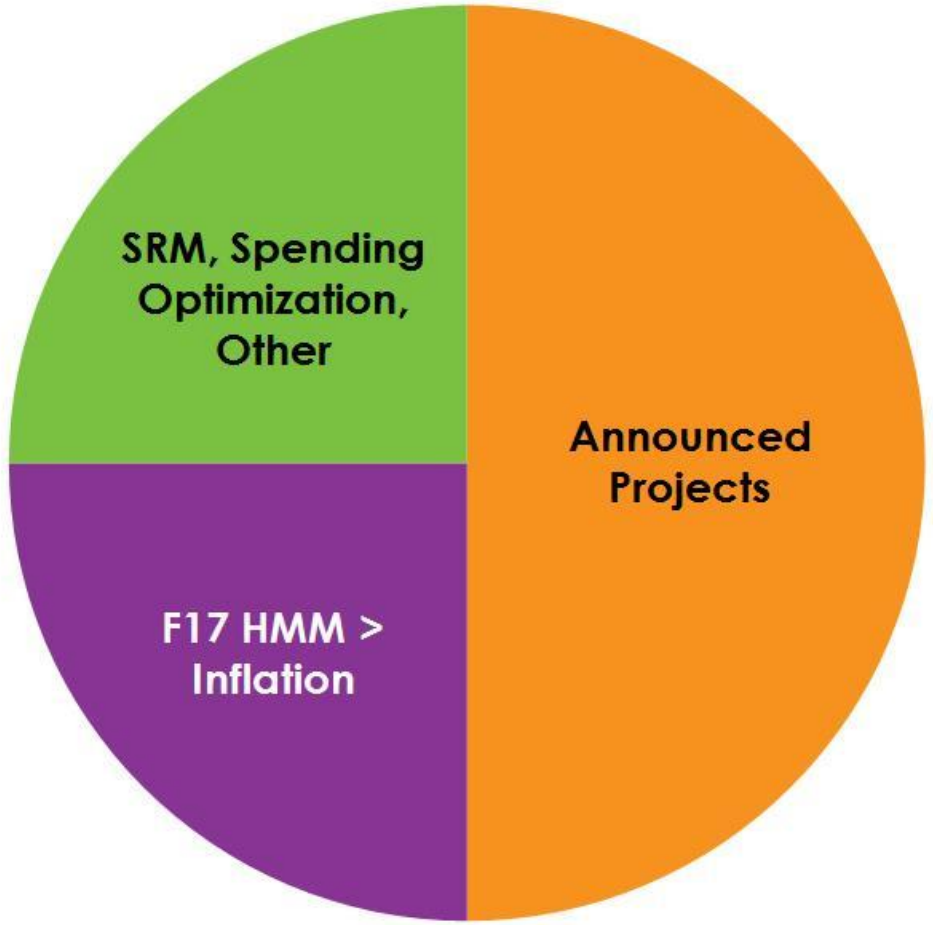
Excellent Visibility to 20% Adjusted Operating Profit Margin* Target

Adjusted Operating Profit Margin*

(% of Net Sales)



Drivers of Margin Expansion



*Non-GAAP measure. See appendix for reconciliation.

Fiscal 2017 Second Half Expectations

- Modestly Improved Organic Net Sales Trends* vs. First Half
- Significant Adjusted Operating Profit Margin* Expansion
- Double-digit Growth in Adjusted Diluted EPS*
- Accelerated Free Cash Flow* Growth

*Non-GAAP measure.

Updating Fiscal 2017 Guidance

(Fiscal 2017 vs. Fiscal 2016)

	Prior Guidance	New Guidance	
Organic Net Sales*	-2% to Flat	-3 to -4%	Revised
Total Segment Operating Profit*	+6 to 8%[1]	+2 to 4%[1]	Revised
Adjusted Operating Profit Margin*	+150bps	+150bps	Confirmed
Interest Expense	Flat	Flat	Confirmed
Tax Rate Excluding Items*	+100bps	Flat	Revised
Avg. Diluted Shares Outstanding	Down 1 to 2%	Down 2%	Revised
Adjusted Diluted EPS*	+6 to 8%[1]	+6 to 8%[1]	Confirmed
Free Cash Flow	+MSD	+HSD	Revised

*Non-GAAP measures.
[1]Constant-currency growth rate.



Second Quarter Fiscal 2017 Operating Highlights

Jeff Harmening

President and Chief Operating Officer

F17 Second Quarter Segment Performance

- U.S. Retail Net Sales Slowed, Margins Expanded Significantly
- CS&F Focus Six Platforms Returned to Growth
- International Results Comparable to Last Quarter

Update on U.S. Food and Beverage Retail Sales

Food and Beverage Retail Sales Growth

(% vs. LY)



	F16				F17	
Units:	Flat	0.2%	-0.1%	0.1%	0.4%	-0.4%
Price:	2.0%	2.1%	1.4%	1.0%	0.3%	-0.2%

Source: Nielsen XAOC through 11.26.16

U.S. Retail Segment Summary

- Categories Decelerated in Q2
- Our Results in Five Largest Categories Fell Short of Expectations:
  - Cereal, Yogurt, Snack Bars, Refrigerated Dough, Soup
- Good Results in Other Categories:
  - Old El Paso Mexican Foods, Totino's Hot Snacks, Natural & Organic
- Adding Targeted Support to Strengthen Second Half

F17 Second Quarter U.S. Cereal Performance





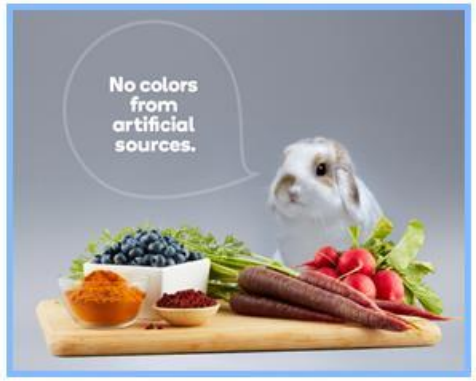


- Q2 Retail Sales: -3%
- Consumer First News Working
  - Gluten Free Cheerios; No Artificial Ingredients; Taste Renovation
- Lower Levels of Marketing Pressure

Source: Nielsen XAOC through 11.26.16

F17 Second Half Cereal Initiatives



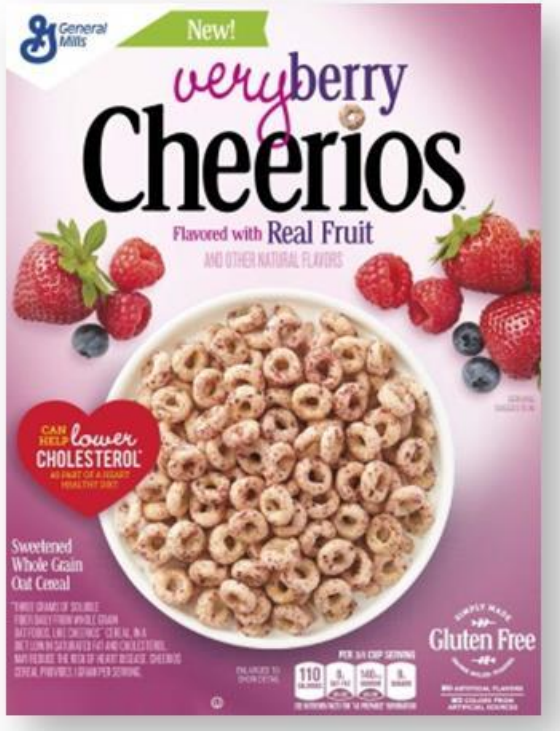


NO HIGH FRUCTOSE CORN SYRUP NO COLORS FROM ARTIFICIAL SOURCES NO ARTIFICIAL FLAVORS

Adding Consumer Support



Improving Merchandising Execution



Launching January 2017

F17 Second Quarter U.S. Yogurt Performance

- Q2 Retail Sales: -18%
- Light and Greek Varieties Represent Majority of Decline
- Category Softness Driven by Reduced Merchandising Effectiveness and Less Product News
- Annie's and Liberté Building Momentum in Organic

Source: Nielsen XAOC through 11.26.16

F17 Second Half Yogurt Initiatives

Build on First Half News

Organic Varieties



Kid Renovation



Second Half News

Higher Protein



Snacking



Indulgence



F17 Second Half Snack Bar Initiatives

Nature Valley



Fiber One





Lärabar



Optimize Support on Foundation Businesses

Refrigerated Dough



Expand New Shelf Set,
Optimize Easter Support

Soup



Adding Media Support
Behind Antibiotic-free Chicken

Building on What's Working in Meals

(F17 Q2 Retail Sales Growth)

Old El Paso







+6%

Totino's Hot Snacks







+6%

Source: Nielsen XAOC through 11.26.16

Building on What's Working: Annie's

Annie's F17 Q2 Retail Sales Growth: +46%

Annie's Established Business



F17 Q2 Retail Sales:
+20% vs. LY

Annie's Category Expansion



Yogurt, Cereal, Soup,
Baked Goods, Grain Snacks

Source: Nielsen XAOC through 11.26.16

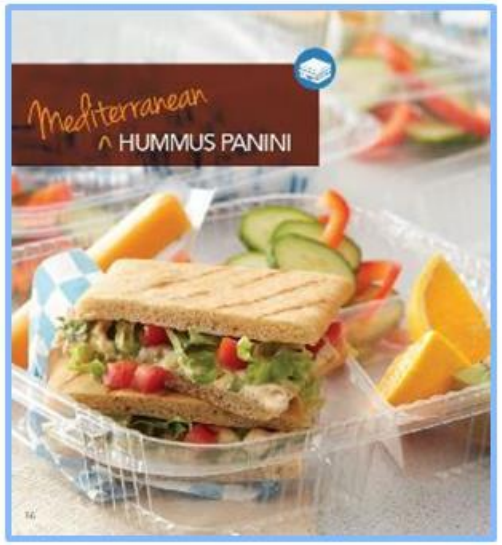
Keys to U.S. Retail Improvement in F17 Second Half

- Optimize Levels of Support on Five Largest Categories
- Invest in What's Working
  - Natural & Organic, Old El Paso, Totino's Hot Snacks
- Solid New Product Line-up
- Continue to Drive Margin Expansion

Convenience Stores & Foodservice Highlights







yoplait Parfait Pro

Improved Performance in Q2

- Focus 6 Net Sales: +2%
- Yogurt and Cereal Leading Growth

Expect Stronger 2H

- Continued Growth from Focus 6 Platforms
- Reduced Headwind from Flour Index Pricing

F17 Second Quarter
International Developed Markets Performance









- Good Performance on Old El Paso in Canada
- Declines on Yoplait in Europe
- Wholesome Snacks and Häagen-Dazs Growing in Europe

F17 Second Half
Developed Markets News











- Old El Paso Innovation in Europe
- Häagen-Dazs Stick Bar Expansion
- Yoplait Innovation in Europe and Canada
- Growing our Natural & Organic Business in Canada

F17 Second Quarter
International Emerging Markets Performance

China





Wanchai 湾仔码头 Ferry™

QUADRI



Häagen-Dazs

AMEA







F17 Second Half
Emerging Market News

China











AMEA









Second Quarter Fiscal 2017 Summary

- Disciplined Approach to Topline Investments
- Adding Targeted Support to Strengthen Second Half
- Solid Margin Expansion and EPS Growth
- Updating Full-year Growth Expectations

A Reminder on Non-GAAP Guidance

Our fiscal 2017 outlook for organic net sales growth, constant-currency total segment operating profit and adjusted diluted EPS, and adjusted operating profit margin are non-GAAP financial measures that exclude, or have otherwise been adjusted for, items impacting comparability, including the effect of foreign currency exchange rate fluctuations, restructuring charges and project-related costs, and mark-to-market effects. Our fiscal 2017 outlook for organic net sales growth also excludes the effect of acquisitions and divestitures. We are not able to reconcile these forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures without unreasonable efforts because we are unable to predict with a reasonable degree of certainty the actual impact of changes in foreign currency exchange rates and commodity prices or the timing of acquisitions, divestitures and restructuring actions throughout fiscal 2017. The unavailable information could have a significant impact on our fiscal 2017 GAAP financial results.

For fiscal 2017, we currently expect: the impact of foreign currency exchange rates (based on blend of forward and forecasted rates and hedge positions), acquisitions, and divestitures to decrease net sales growth by 200 basis points; foreign currency exchange rates to have an immaterial impact on total segment operating profit and adjusted diluted EPS; and total restructuring charges and project-related costs related to actions previously announced to total $243 million.

Reconciliation of Second Quarter Fiscal 2017 Organic Net Sales Growth

(Fiscal Year)

	Q2 2017					
	Organic Volume	Organic Price/Mix	Organic Net Sales	Foreign Exchange	Acquisitions & Divestitures	Reported Net Sales Growth
U.S. Retail	(10) pts	4 pts	(6) %	--	(3) pts	(9) %
International	(3) pts	2 pts	(1) %	(2) pts	(2) pts	(5) %
Convenience Stores & Foodservice	--	(4) pts	(4) %	--	--	(4) %
Total	(7) pts	3 pts	(4) %	--	(3) pts	(7) %

Reconciliation of Second Quarter Fiscal 2017 Total Segment Operating Profit

(Fiscal Years, $ in Millions)

	Q2		
	2017	**2016**	**% Change**
U.S. Retail	**$615.4**	$600.4	2%
International	**105.9**	136.2	(22)
Convenience Stores and Foodservice	**109.1**	102.8	6
Total Segment Operating Profit	**$830.4**	$839.4	(1)%
Unallocated Corporate Items	19.0	71.5	(73)
Divestitures loss (gain)	13.5	(199.1)	NM
Restructuring, impairment, and other exit costs	29.0	61.3	(53)
Operating Profit	**$768.9**	$905.7	(15)%

Reconciliation of Fiscal 2017 Constant-currency Total Segment Operating Profit Growth

(Fiscal Year)

	2017		
	Percentage Change in Total Segment Operating Profit as Reported	Impact of Foreign Currency Exchange	Percentage Change in Total Segment Operating Profit on a Constant-currency Basis
Q2	(1) %	(1) pt	Flat
1H	(3) %	(1) pt	(2) %

Certain measures in this release are presented excluding the impact of foreign currency exchange (constant-currency). To present this information, current period results for entities reporting in currencies other than United States dollars are translated into United States dollars at the average exchange rates in effect during the corresponding period of the prior fiscal year, rather than the actual average exchange rates in effect during the current fiscal year. Therefore, the foreign currency impact is equal to current year results in local currencies multiplied by the change in the average foreign currency exchange rate between the current fiscal period and the corresponding period of the prior fiscal year.

Reconciliation of Second Quarter Fiscal 2017 Adjusted Diluted EPS and Related Constant-currency Growth Rate

(Fiscal Years)

	Q2		
Per Share Data	**2017**	**2016**	**Change**
Diluted earnings per share, as reported	**$ 0.80**	$ 0.87	(8) %
Mark-to-market effects*	**(0.03)**	(0.01)	
Divestitures loss (gain)*	**0.01**	(0.14)	
Restructuring charges*	**0.05**	0.08	
Project-related costs *	**0.02**	0.02	
Diluted earnings per share, excluding certain items affecting comparability	**$ 0.85**	$ 0.82	4 %
Foreign currency exchange impact			(1) pt
Diluted earnings per share growth, excluding certain items affecting comparability, on a constant-currency basis			5 %

*See reconciliation of Tax Rate excluding items for tax impact of individual items.

Reconciliation of Second Quarter Fiscal 2017 International Constant-currency Net Sales Growth Rates

(Fiscal Year)

	Q2 2017		
	Percentage Change in Net Sales as Reported	Impact of Foreign Currency Exchange	Percentage Change in Net Sales on a Constant-currency Basis
Europe	(7) %	(4) pts	(3) %
Canada	(8)	(1)	(7)
Asia/Pacific	(3)	(3)	Flat
Latin America	2	4	(2)
Total International	(5) %	(2) pts	(3) %

Reconciliation of Second Quarter Fiscal 2017 Constant-currency International Segment Operating Profit Growth

(Fiscal Year)

	2017		
	Percentage Change in International Segment Operating Profit as Reported	Impact of Foreign Currency Exchange	Percentage Change in International Segment Operating Profit on a Constant-currency Basis
Q2	(22)%	(4) pts	(18)%

Reconciliation of Second Quarter Constant-currency After-tax JV Earnings

(Fiscal Year)

	Q2		
	Percentage Change in After-tax Earnings from Joint Ventures as Reported	Impact of Foreign Currency Exchange	Percentage Change in After-tax Earnings from Joint Ventures on a Constant-currency Basis
F17	28 %	1 pt	27 %

Reconciliation of Second Quarter Fiscal 2017 Adjusted Gross Margin

(Fiscal Years)

	Q2	
	2017	**2016**
	% of Net Sales	**% of Net Sales**
Gross margin as reported	**37.0%**	34.8%
Mark-to-market effects	(0.7)	(0.2)
Restructuring charges	0.3	0.5
Project-related costs	0.2	0.4
Adjusted gross margin	**36.8%**	35.5%

Reconciliation of Second Quarter Fiscal 2017 Adjusted Operating Profit Margin

(Fiscal Years)

	Q2	
	2017	2016
	% of Net Sales	% of Net Sales
Operating profit as reported	**18.7%**	20.5%
Mark-to-market effects	(0.7)	(0.2)
Restructuring charges	1.0	1.9
Divestitures loss (gain)	0.3	(4.5)
Project-related costs	0.3	0.3
Adjusted operating profit margin	**19.6%**	18.0%

Reconciliation of Second Quarter Fiscal 2017 Tax Rate Excluding Items

(Fiscal Years, $ in Millions)

	Q2			
	2017		2016	
	Pretax Earnings*	Income Taxes	Pretax Earnings*	Income Taxes
As reported	**$693**	**$227**	$832	$312
Mark-to-market effects	**(29)**	**(11)**	(8)	(3)
Restructuring charges	**42**	**12**	83	30
Divestitures loss (gain)	**14**	**4**	(199)	(111)
Project-related costs	**11**	**4**	16	6
As adjusted	**$731**	**$237**	$724	$234
Effective tax rate:				
As reported		**32.8 %**		37.4 %
As adjusted		**32.4 %**		32.3%
Sum of adjustments to income taxes		**$9**		$(78)
Average number of common shares - diluted EPS		**600**		612
Impact of income tax adjustments on diluted EPS excluding certain items affecting comparability		**$0.02**		$(0.13)

Earnings before income taxes and after-tax earnings from joint ventures.
Table does not foot due to rounding.

Reconciliation of Fiscal 2016 Tax Rate Excluding Items

(Fiscal Year, $ in Millions)

	Full Year 2016	
	Pretax Earnings*	**Income Taxes**
As reported	$2,404	$755
Mark-to-market effects	(63)	(23)
Restructuring charges	230	69
Divestitures(gain)	(148)	(82)
Project-related costs	58	21
As adjusted	$2,480	$740
Effective tax rate:		
As reported		31.4%
As adjusted		29.8%
Sum of adjustments to income taxes		(16)
Average number of common shares - diluted EPS		612
Impact of income tax adjustments on diluted EPS excluding certain items affecting comparability		$0.03

* Earnings before income taxes and after-tax earnings from joint ventures.
Table does not foot due to rounding.

Reconciliation of First Half Fiscal 2017 Organic Net Sales Growth

(Fiscal Year)

	1H 2017					
	Organic Volume	Organic Price/Mix	Organic Net Sales	Foreign Exchange	Acquisitions & Divestitures	Reported Net Sales Growth
U.S. Retail	(9) pts	4 pts	(5) %	--	(3) pts	(8) %
International	(3) pts	2 pts	(1) %	(3) pts	(1) pt	(5) %
Convenience Stores & Foodservice	(1) pt	(4) pts	(5) %	--	--	(5) %
Total	(6) pts	2 pts	(4) %	(1) pt	(2) pts	(7) %

Reconciliation of First Half Fiscal 2017 Total Segment Operating Profit

(Fiscal Years, $ in Millions)

	1H		
	2017	**2016**	**% Change**
U.S. Retail	**$1,209.8**	$1,230.1	(2)%
International	**205.9**	253.2	(19)
Convenience Stores and Foodservice	**201.8**	182.6	11
Total Segment Operating Profit	**$1,617.5**	$1,665.9	(3)%
Unallocated Corporate Items	101.4	154.6	(34)
Divestitures loss (gain)	13.5	(199.1)	NM
Restructuring, impairment, and other exit costs	87.9	121.4	(28)
Operating Profit	**$1,414.7**	$1,589.0	(11)%

Reconciliation of First Half Fiscal 2017 Adjusted Diluted EPS and Related Constant-currency Growth Rate

(Fiscal Years)

	1H		
Per Share Data	**2017**	**2016**	**Change**
Diluted earnings per share, as reported	**$ 1.47**	$ 1.56	(6) %
Mark-to-market effects*	**(0.01)**	(0.01)	
Divestitures loss (gain)*	**0.01**	(0.14)	
Restructuring charges*	**0.13**	0.17	
Project-related costs *	**0.03**	0.03	
Diluted earnings per share, excluding certain items affecting comparability	**$ 1.63**	$ 1.61	1 %
Foreign currency exchange impact			(1) pt
Diluted earnings per share growth, excluding certain items affecting comparability, on a constant-currency basis			2 %

*See reconciliation of Tax Rate excluding items for tax impact of individual items.

Reconciliation of First Half Fiscal 2017 Tax Rate Excluding Items

(Fiscal Years, $ in Millions)

	1H			
	2017		2016	
	Pretax Earnings*	Income Taxes	Pretax Earnings*	Income Taxes
As reported	**$1,265**	**$404**	$1,440	$510
Mark-to-market effects	**(13)**	**(5)**	(10)	(4)
Restructuring charges	**114**	**36**	165	54
Divestitures loss (gain)	**14**	**4**	(199)	(111)
Project-related costs	**25**	**9**	29	11
As adjusted	**$1,406**	**$448**	$1,425	$460
Effective tax rate:				
As reported		**31.9 %**		35.4 %
As adjusted		**31.9 %**		32.3%
Sum of adjustments to income taxes		**$44**		$(50)
Average number of common shares - diluted EPS		**606**		614
Impact of income tax adjustments on diluted EPS excluding certain items affecting comparability		**$0.07**		$(0.08)

Earnings before income taxes and after-tax earnings from joint ventures.
Table does not foot due to rounding.

Reconciliation of Full Year Fiscal 2016 Adjusted Operating Profit Margin

(Fiscal Year)

	Full Year 2016 % of Net Sales
Operating profit as reported	**16.3** %
Mark-to-market effects	(0.4)
Divestitures (gain)	(0.9)
Restructuring charges	1.4
Project-related costs	0.4
Adjusted operating profit margin	**16.8** %