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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

RECD S.E.C. AUG 7 1987 FEB 48

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For The Fiscal Year Ended May 31, 1987 **Commission File Number: 1-444**

The Pillsbury Company

Delaware	**41-0481770**
State of Incorporation	IRS Identification No.

Pillsbury Center, 200 South Sixth St., Minneapolis, Minnesota 55402-1464

Registrant's telephone number - Area Code 612-330-4966

Securities registered pursuant to Section 12(b) of the Act:

RECEIVED AUG 11 1987 Bechtel Information Services Gaithersburg, Maryland

Title of each Class	Name of each Exchange on which registered
Common Stock, without par value and Preferred Stock Purchase Rights	New York Stock Exchange Midwest Stock Exchange Pacific Stock Exchange London Stock Exchange
4¼% Convertible Subordinated Debentures due August 1, 1992	New York Stock Exchange
14% Notes due March 1, 1991	New York Stock Exchange
Extendible Notes due October 15, 1999	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

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 June 30, 1987, 86,102,100 common shares were outstanding. The aggregate market value of common shares held by non-affiliates of the Registrant on such date (based upon the closing price of such shares on the New York Stock Exchange-Composite Index) was $3.704 billion.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Annual Report to Stockholders for the fiscal year ended May 31, 1987 (the "Annual Report to Stockholders") are incorporated by reference into Parts I, II and IV.

Portions of the definitive Proxy Statement for the Annual Meeting of Stockholders to be held September 10, 1987 (the "Proxy Statement") and to be filed within 120 days after the Registrant's fiscal year ended May 31, 1987, are incorporated by reference into Part III.

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EXHIBIT INDEX IS ON PAGE 13

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FORM 10-K ANNUAL REPORT

FOR THE FISCAL YEAR ENDED MAY 31, 1987

THE PILLSBURY COMPANY

PART I.

ITEM 1. BUSINESS

The business discussions, pages 4 through 22; financial discussions, pages 24, 27, 29 and 31 through 35; "Acquisitions and dispositions," page 38; Statistical Summary, page 43; and Eleven Year Summary," pages 44 and 45 of the Annual Report to Stockholders are incorporated herein by reference.

ITEM 2. PROPERTIES

The business discussions, pages 4 through 22; financial discussions, pages 24, 27, 29 and 31 through 35; "Property, plant and equipment," page 36; Noncurrent assets, page 39; and "Investments as lessor," and "Commitments as lessee," pages 40 and 41 of the Annual Report to Stockholders are incorporated herein by reference.

As of May 31, 1987:

Foods utilized 77 food manufacturing or processing plants (four were leased), 52 grain and fertilizer elevators (21 were leased), a paper bag plant, a bakery equipment manufacturing plant, a feed manufacturing plant, a barge facility and operated seven ice cream shops (all leased). These facilities were located in 25 states and nine foreign countries. In addition, Foods franchised 291 ice cream shops in 33 states, Washington D.C. and Puerto Rico.

Restaurants operated or franchised 6,19? restaurants in 50 states and 30 foreign countries, of which it owned the land and/or buildings with respect to 1,804 restaurants and leased both the land and buildings with respect to 757 restaurants.

The Registrant leases its World Headquarters offices, located in Minneapolis, Minnesota.

ITEM 3. LEGAL PROCEEDINGS

"Other commitments and contingent liabilities," page 40 of the Annual Report to Stockholders is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Registrant, their ages, positions (in each case as of July 31, 1987), and the month and year they were first elected or appointed an officer of the Registrant, are as follows:

Name (Age)	Position (Date First Became Officer)
John M. Stafford (50)	Chairman of the Board, President and Chief Executive Officer (March 1979)
J. Jeffrey Campbell (43)	Executive Vice President; and Chairman, Restaurants Group (June 1983)
Roger L. Headrick (51)	Executive Vice President and Chief Financial Officer (February 1982)
Jerry W. Levin (43)	Executive Vice President, Corporate Development; and Chairman, Häagen-Dazs Ice Cream (June 1976)
Thomas R. McBurney (49)	Executive Vice President; and Chairman, U.S. Foods (January 1976)
Edward C. Stringer (52)	Executive Vice President, General Counsel and Chief Administrative Officer (January 1980)
James R. Behnke (44)	Senior Vice President, Growth and Technology (May 1979)
Richard T. Crowder (47)	Senior Vice President and Corporate Risk Officer; and Executive Vice President, Finance and Administration, Restaurants Group (March 1975)
Herbert D. Ihle (48)	Senior Vice President, Controller and Treasurer (March 1978)
Timothy C. Sullivan (45)	Senior Vice President, Human Resources (January 1986)
Russell J. Bragg (51)	Vice President; and Group Vice President, Grain Merchandising (May 1980)
Kyle T. Craig (39)	Vice President; and Chairman and Chief Executive Officer, S&A Restaurant Corp. (November 1985)
Kent C. Larson (48)	Vice President; and President, U.S. Foods (July 1976)
John L. Morrison (42)	Vice President; and President, International Foods (January 1976)
Gerald L. Olson (53)	Vice President, Government Relations (November 1978)

Each of the executive officers named above is an elected officer of the Registrant who is re-elected annually by the Board of Directors at its meeting on the date of the Annual Meeting of Stockholders.

Each of the executive officers named above has held the same office or an executive or management position with the Registrant or one of its subsidiaries for at least the past five years except Mr. Sullivan, who was employed by AMF Incorporated from August 1980 to December 1985, most recently as Senior Vice President, Administration, and prior to that as Vice President, Human Resources.

PART II.

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

"Summary by Quarter (Unaudited)," page 35; "Long-term debt," page 39; "Eleven Year Summary," pages 44 and 45; and "Stock Listings," inside back cover of the Annual Report to Stockholders are incorporated herein by reference. As of July 20, 1987 there were 22,764 stockholders of record.

ITEM 6. SELECTED FINANCIAL DATA

"Eleven Year Summary," pages 44 and 45 of the Annual Report to Stockholders is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial discussions, pages 24, 27, 29, and 31 through 35 of the Annual Report to Stockholders are incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial information of the Registrant and its subsidiaries, included in the Annual Report to Stockholders, is incorporated herein by reference:

	Page(s)
Consolidated Statement of Earnings	26
Consolidated Statement of Changes in Financial Position	28
Consolidated Balance Sheet	30
Summary by Industry Segment	34
Summary by Quarter (Unaudited)	35
Notes to Consolidated Financial Statements	36-42
Accountants' Report	25

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ACCOUNTANTS' REPORT ON SCHEDULES

Stockholders and Board of Directors
The Pillsbury Company

In connection with our examination of the financial statements of The Pillsbury Company and Subsidiaries at May 31, 1987 and 1986, and for each of the three years in the period ended May 31, 1987, which report thereon dated June 24, 1987 is incorporated herein by reference, we also examined the supporting schedules listed in Item 14(a)(2).

In our opinion, these schedules present fairly, when read in conjunction with the related financial statements, the financial data required to be set forth therein.

Touche Ross & Co.
TOUCHE ROSS & CO.
Certified Public Accountants

Minneapolis, Minnesota
June 24, 1987

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PART III.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

"Executive Officers of the Registrant" in Part I hereof is incorporated herein by reference. The other information required by this Item is incorporated herein by reference to the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated herein by reference to the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated herein by reference to the Proxy Statement.

PART IV.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) Financial Statements

The consolidated financial statements of the Registrant and its subsidiaries, included in the Annual Report to Stockholders, are incorporated by reference in Item 8, and are also incorporated herein by reference.

(a)(2) Financial Statement Schedules

Schedule V - Property, plant and equipment

Schedule VI - Accumulated depreciation, depletion and amortization of property, plant and equipment

Schedule X - Supplementary income statement information

Schedules not listed above have been omitted because they are either not applicable, not material or the required information has been given in the financial statements or in the notes to the financial statements.

(a)(3) Exhibits

(3)A. Composite Certificate of Incorporation of the Registrant, as amended. (Incorporated herein by reference to Exhibit 4(a) to Registrant's Registration No. 2-89366 and to Exhibit (2)A to Registrant's 8-K Current Report dated September 11, 1984.) Certificate of Elimination of Provisions of the Certificate of Incorporation of The Pillsbury Company Relating to the Preferences and Rights of Series A Convertible Preferred Stock and Series B Convertible Preferred Stock. Certificate of Designation, Preferences and Rights of Series C Junior Participating Preferred Stock of The Pillsbury Company. (Incorporated herein by reference to Exhibit (3)A to Registrant's 10-K Report for the year ended May 31, 1986.) Certificate of Amendment. (Incorporated herein by reference to Exhibit (2) to Registrant's 8-K Current Report dated September 9, 1986.)

B. By-Laws of the Registrant. (Incorporated herein by reference to Exhibit (3)B to Registrant's 10-K Report for the year ended May 31, 1985.)

(4)A. Rights Agreement, dated as of January 9, 1986 between the Registrant and First Trust Company, Inc. (Incorporated herein by reference to the Registrant's Form 8-A dated January 15, 1986.)

B. Copies of constituent instruments defining the rights of holders of long-term debt of the Registrant and its subsidiaries are not filed herewith, pursuant to Section (b)(4)(iii) of Item 601 of Regulation S-K, because the aggregate amount of securities authorized under each of such instruments is less than 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis. The Registrant hereby agrees that it will, upon request by the Securities and Exchange Commission, furnish to the Commission a copy of each such instrument.

(10)A. Fiscal 1988 Management Incentive Plan.

B. The Pillsbury Deferred Incentive Plan. (Incorporated herein by reference to Exhibit 1 to Registrant's 11-K Report of The Pillsbury Deferred Incentive Plan for the year ended May 31, 1982.) Amended by the First Amendment to the Pillsbury Deferred Incentive Plan dated June 22, 1983. (Incorporated herein by reference to Exhibit (10)B to Registrant's 10-K Report for the year ended May 31, 1983). Amended by Amendment of The Pillsbury Deferred Incentive Plan dated May 22, 1985. (Incorporated herein by reference to Exhibit 2 to Registrant's 11-K Report of The Pillsbury Deferred Incentive Plan for the year ended

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May 31, 1985.) Amended by the Second Amendment to the Pillsbury Deferred Incentive Plan dated June 4, 1985. (Incorporated herein by reference to Exhibit (10)B to Registrant's 10-K Report for the year ended May 31, 1985.) Instrument of Merger and Transfer of The Pillsbury Deferred Incentive Plan and The Pillsbury Stock Purchase and Investment Plan. (Incorporated herein by reference to Exhibit 4(m) to Post-Effective Amendment No. 1 to Registrant's Registration No. 2-89366.)

C. The Pillsbury Company 1981 Performance Unit Plan. Amended by the First Amendment to The Pillsbury Company 1981 Performance Unit Plan. (Incorporated herein by reference to Exhibit (10)C to Registrant's 10-K Report for the year ended May 31, 1985.) Amended by the Second Amendment to The Pillsbury Company 1981 Performance Unit Plan. (Incorporated herein by reference to Exhibit (10)C to Registrant's 10-K Report for the year ended May 31, 1986.)

D. The Pillsbury Company Nonqualified Deferred Compensation Plan for Officers.

E. Green Giant Company 1974 Stock Option Plan as adopted by The Pillsbury Company. (Incorporated herein by reference to Exhibit 1(a) to Registrant's Registration No. 2-63563.)

F. The Pillsbury Company Nonqualified Stock Option Plan. (Incorporated herein by reference to Exhibit 1(d) to Registrant's Registration No. 2-59947.) Amended by the First Amendment to The Pillsbury Company Nonqualified Stock Option Plan. (Incorporated herein by reference to Exhibit (10)F to Registrant's 10-K Report for the year ended May 31, 1982.) Amended by the Second and Third Amendments to The Pillsbury Company Nonqualified Stock Option Plan dated November 9, 1982 and June 7, 1983, respectively. (Incorporated herein by reference to Exhibit (10)F to Registrant's 10-K Report for the year ended May 31, 1983.) Amended by the Fourth Amendment to The Pillsbury Company Nonqualified Stock Option Plan, effective June 4, 1985. (Incorporated herein by reference to Exhibit (10)F to Registrant's 10-K Report for the year ended May 31, 1985.)

G. The Pillsbury Company Stock Option Plan of 1982. Amended by the First Amendment to The Pillsbury Company Stock Option Plan of 1982. (Incorporated herein by reference to Exhibit B to Registrant's Proxy Statement dated August 9, 1984.) Amended by the Second Amendment to The Pillsbury Company Stock Option Plan of 1982. (Incorporated herein by reference to Exhibit (10)G to Registrant's 10-K Report for the year ended May 31, 1985.)

H. Consultant Director arrangement. (Incorporated herein by reference to Exhibit (10)I to Registrant's 10-K Report for the year ended May 31, 1985.)

I. Amended and Restated Deferred Compensation Plan for Active Non-Employee Directors and Consultant Directors. (Incorporated herein by reference to Exhibit (10)J to Registrant's 10-K Report for the year ended May 31, 1986.)

J. The Pillsbury Company Strategic Performance Plan. (Incorporated herein by reference to Exhibit (10)K to Registrant's 10-K Report for the year ended May 31, 1983.) Amended by the First Amendment to The Pillsbury Company Strategic Performance Plan. (Incorporated herein by reference to Exhibit (10)K to Registrant's 10-K Report for the year ended May 31, 1986.)

K. Deferred Consideration Agreement, dated February 10, 1982, as amended March 10, 1983, between The Pillsbury Company and Roger L. Headrick. (Incorporated herein by reference to Exhibit (10)M to Registrant's 10-K Report for the year ended May 31, 1983.)

L. The Pillsbury Supplemental Benefit Plan (supplementing The Pillsbury Retirement Plan for Salaried Employees). (Incorporated herein by reference to Exhibit (10)M to Registrant's 10-K Report for the year ended May 31, 1984.) Amended by the First Amendment of The Pillsbury Supplemental Benefit Plan. (Incorporated herein by reference to Exhibit (10)M to Registrant's 10-K Report for the year ended May 31, 1986.)

M. The Pillsbury Company Post-Retirement Executive Life Insurance Plan. (Incorporated herein by reference to Exhibit (10)N to Registrant's 10-K Report for the year ended May 31, 1984.) Amended by the First Amendment to The Pillsbury Company Post-Retirement Executive Life Insurance Plan. (Incorporated herein by reference to Exhibit (10)N to Registrant's 10-K Report for the year ended May 31, 1985.)

N. The Pillsbury Company Employee Stock Ownership Plan. Amended by the First Amendment to The Pillsbury Company Employee Stock Ownership Plan, dated June 4, 1985. (Incorporated herein by reference to Exhibit (10)O to Registrant's 10-K Report for the year ended May 31, 1985.)

O. Survivor Benefit arrangement for non-employee directors. (Incorporated herein by reference to Exhibit (10)P to Registrant's 10-K Report for the year ended May 31, 1985.)

P. Retirement benefit arrangement with William H. Spoor. (Incorporated herein by reference to Exhibit (10)Q to Registrant's 10-K Report for the year ended May 31, 1985.)

Q. The Pillsbury Company Executive Income Continuation Plan. (Incorporated herein by reference to Exhibit (10)R to Registrant's 10-K Report for the year ended May 31, 1986.)

R. Pillsbury Savings Plan (formerly known as The Pillsbury Stock Purchase and Investment Plan), as amended and restated effective June 1, 1982. (Incorporated herein by reference to Exhibit 4(b) to Registrant's Registration No. 2-51869.) Amended by Amendment dated May 22, 1985 and Third Amendment dated June 4, 1985. (Incorporated herein by reference to Exhibits 1 and 2 to Registrant's 11-K Report of The Pillsbury Stock Purchase and Investment Plan for the year ended May 31, 1985.) Instrument of Merger and Transfer of The Pillsbury Deferred Incentive Plan and The Pillsbury Stock Purchase and Investment Plan. (Incorporated herein by reference to Exhibit 4(m) to Post-Effective Amendment No. 1 to Registrant's Registration No. 2-89366.) Amended by Amendment dated April 24, 1987. (Incorporated herein by reference to Exhibit 4(l) to Post-Effective Amendment No. 1 to Registrant's Registration No. 2-89366.)

S. The Pillsbury Company Nonqualified Deferral Plan.

T. The Pillsbury Company Long Term Incentive Compensation Plan of 1987. (Incorporated herein by reference to Exhibit B to the Proxy Statement.)

U. The Pillsbury Company Restricted Stock Plan for Non-Employee Directors (Incorporated herein by reference to Exhibit A to the Proxy Statement.)

(12) Calculation of Ratios of Earnings to Fixed Charges.

(13) Annual Report to Stockholders (only those portions specifically incorporated herein by reference shall be deemed filed with the Commission).

(22) Subsidiaries of the Registrant.

(24) Consent of Touche Ross & Co.

(25) Powers of Attorney.

(b) Reports on Form 8-K.
During the fourth quarter ended May 31, 1987, the Registrant filed no reports on Form 8-K.

SIGNATURES

Pursuant to the requirements of Section 13 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.

THE PILLSBURY COMPANY

Dated: August 6, 1987

By: ______________________
Edward C. Stringer
Executive Vice President, General Counsel and Chief Administrative Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: August 6, 1987

____
John M. Stafford
Chairman of the Board, President and Chief Executive Officer

Dated: August 6, 1987

____
Roger L. Headrick
Executive Vice President and Chief Financial Officer

Dated: August 6, 1987

____
Herbert D. Ihle
Senior Vice President, Controller and Treasurer (Chief Accounting Officer)

W. Michael Blumenthal
Donald F. Craib, Jr.
Allen E. Jacobson
Caro E. Luhrs, M.D.
Kenneth A. Macke
James W. McLamore
Willys H. Monroe
John H. Perkins
George S. Pillsbury
Robert A. Schoellhorn
George J. Sella, Jr.
William H. Spoor
John M. Stafford
Peter G. Wray

THE BOARD OF DIRECTORS*

*Edward C. Stringer, by signing his name hereto, does hereby sign this document on behalf of each of the above named directors of the Registrant pursuant to powers of attorney duly executed by such persons.

Dated: August 6, 1987

____
Edward C. Stringer
Attorney-in-Fact

THE PILLSBURY COMPANY AND SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

Column A Classification	Column B Balance at beginning of period	Column C Additions	Column D Retirements	Column E Other changes	Column F Balance at end of period
			(In millions)		
Year ended May 31, 1985:					
Land and improvements	$ 199.2	$ 38.9	$ 4.3	$ (.1) (a) 3.5 (c) (.7) (d)	$ 236.5
Buildings and improvements.........	885.1	157.8	32.0	(2.1) (a) (6.4) (b) 27.8 (c) (4.1) (d) .1 (e)	1,026.2
Machinery and equipment	692.5	130.4	54.9	2.2 (a) .4 (b) 36.3 (c) (7.9) (d) 2.5 (e)	801.5
	$1,776.8	$327.1	$ 91.2	$ 51.5	$2,064.2
Year ended May 31, 1986:					
Land and improvements	$ 236.5	$ 25.0	$ 20.3	$ (.2) (a) .3 (b) 3.1 (c) 1.2 (d)	$ 245.6
Buildings and improvements	1,026.2	133.7	98.9	1.0 (a) 8.9 (b) 241.4 (c) 12.1 (d) .1 (e)	1,324.5
Machinery and equipment	801.5	149.8	76.8	(.8) (a) (1.6) (b) 88.6 (c) 15.1 (d) (.1) (e)	975.7
	$2,064.2	$308.5	$196.0	$369.1	$2,545.8
Year ended May 31, 1987:					
Land and improvements	$ 245.6	$ 15.7	$ 11.0	$ 17.4 (a) 2.4 (c) 1.4 (d)	$ 271.5
Buildings and improvements.........	1,324.5	131.8	55.6	(61.2) (a) (12.7) (b) 13.6 (c) 12.3 (d) (.7) (e)	1,352.0
Machinery and equipment	975.7	173.1	70.3	43.8 (a) (.3) (b) 11.1 (c) 10.1 (d) 1.2 (e)	1,144.4
	$2,545.8	$320.6	$136.9	$ 38.4	$2,767.9

(a) Transfers between property classifications.

(b) Transfer to or from net investment in direct financing leases or other assets.

(c) Purchased companies.

(d) Change in foreign currency translation rates.

(e) Various insignificant changes.

THE PILLSBURY COMPANY AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at beginning of period	Additions charged to costs and expenses	Retirements	Other changes	Balance at end of period
			(In millions)		
Year ended May 31, 1985:					
Buildings and improvements	$290.6	$ 53.9	$19.0	$ (.9) (a)	
				3.8 (b)	
				(1.3) (c)	
				.3 (d)	$327.4
Machinery and equipment	293.2	80.0	39.1	.9 (a)	
				.5 (b)	
				(3.0) (c)	
				1.3 (d)	333.8
	$583.8	$133.9	$58.1	$ 1.6	$661.2
Year ended May 31, 1986:					
Buildings and improvements	$327.4	$ 66.2	$30.9	$ (.5) (a)	
				7.8 (b)	
				3.5 (c)	
				(.5) (d)	$373.0
Machinery and equipment	333.8	109.1	39.8	.5 (a)	
				(.8) (b)	
				6.4 (c)	
				.4 (d)	409.6
	$661.2	$175.3	$70.7	$16.8	$782.6
Year ended May 31, 1987:					
Buildings and improvements	$373.0	$ 83.4	$20.4	$ 7.8 (a)	
				1.6 (b)	
				2.3 (c)	
				1.8 (d)	$449.5
Machinery and equipment	409.6	114.2	43.1	(7.8) (a)	
				8.0 (c)	
				2.8 (d)	483.7
	$782.6	$197.6	$63.5	$16.5	$933.2

(a) Transfers between property classifications.

(b) Transfer to or from net investment in direct financing leases or other assets.

(c) Change in foreign currency translation rates.

(d) Various insignificant changes.

THE PILLSBURY COMPANY AND SUBSIDIARIES

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION

	Year ended May 31		
	1987	1986	1985
		(In millions)	
Maintenance and repairs	$112.3	$ 96.9	$ 80.0
Advertising cost	172.3	159.5	128.1

Amortization of intangible assets, taxes other than payroll and income taxes, and royalties are not presented because they do not exceed one percent of net sales.

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BECHTEL

Information Services

15740 Shady Grove Road
Gaithersburg, Maryland 20877-1454

EXHIBITS FOLLOW

EPD-33805 10/85

INDEX TO EXHIBITS

Filed With

THE PILLSBURY COMPANY
FORM 10-K

For the Fiscal Year Ended May 31, 1987

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F. The Pillsbury Company Nonqualified Stock Option Plan. (Incorporated herein by reference to Exhibit 1(d) to Registrant's Registration No. 2-59947.) Amended by the First Amendment to The Pillsbury Company Nonqualified Stock Option Plan. (Incorporated herein by reference to Exhibit (10)F to Registrant's 10-K Report for the year ended May 31, 1982.) Amended by the Second and Third Amendments to The Pillsbury Company Nonqualified Stock Option Plan dated November 9, 1982 and June 7, 1983, respectively. (Incorporated herein by reference to Exhibit (10)F to Registrant's 10-K Report for the year ended May 31, 1983.) Amended by the Fourth Amendment to The Pillsbury Company Nonqualified Stock Option Plan, effective June 4, 1985. (Incorporated herein by reference to Exhibit (10)F to Registrant's 10-K Report for the year ended May 31, 1985.)

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H. Consultant Director arrangement. (Incorporated herein by reference to Exhibit (10)I to Registrant's 10-K Report for the year ended May 31, 1985.)

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J. The Pillsbury Company Strategic Performance Plan. (Incorporated herein by reference to Exhibit (10)K to Registrant's 10-K Report for the year ended May 31, 1983.) Amended by the First Amendment to The Pillsbury Company Strategic Performance Plan. (Incorporated herein by reference to Exhibit (10)K to Registrant's 10-K Report for the year ended May 31, 1986.)

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L. The Pillsbury Supplemental Benefit Plan (supplementing The Pillsbury Retirement Plan For Salaried Employees). (Incorporated herein by reference to Exhibit (10)M to Registrant's 10-K Report for the year ended May 31, 1984.) Amended by the First Amendment of The Pillsbury Supplemental Benefit Plan. (Incorporated herein by reference to Exhibit (10)M to Registrant's 10-K Report for the year ended May 31, 1986.)

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O. Survivor Benefit arrangement for non-employee directors. (Incorporated herein by reference to Exhibit (10)P to Registrant's 10-K Report for the year ended May 31, 1985.)

P. Retirement benefit arrangement with William H. Spoor. (Incorporated herein by reference to Exhibit (10)Q to Registrant's 10-K Report for the year ended May 31, 1985.)

Q. The Pillsbury Company Executive Income Continuation Plan. (Incorporated herein by reference to Exhibit (10)R to Registrant's 10-K Report for the year ended May 31, 1986.)

EXHIBIT (10)A

THE PILLSBURY COMPANY MANAGEMENT INCENTIVE PLAN
F'88 PLAN STATEMENT

This statement confirms your participation in the Management Incentive Plan for the period through Under the Plan, your incentive earnings are based on actual results compared to plan for the performance measures outlined below. You are participating at of your fiscal base salary with a maximum incentive opportunity of

The Pillsbury Management Incentive Plan is governed by the Plan's General Provisions as approved by the Executive Compensation Committee of the Board of Directors, a copy of which is attached to this statement. Please contact your Human Resources Director if you have any questions.

		PAYOUT PERCENT			
PERFORMANCE MEASURE	WEIGHTING	MINIMUM 50%	100%	125%	MAXIMUM 150%
			(000 OMITTED)		

THE PILLSBURY COMPANY
MANAGEMENT INCENTIVE PLAN

GENERAL PROVISIONS

1. Incentive compensation payments for the fiscal year will be made as soon after the close of the fiscal year as possible.

2. If a participant becomes ineligible during the year because of a change in position, the participant will be entitled to incentive compensation only for the period of time he/she was participating, and then only if the participant remains in the employ of the Company through the end of the fiscal year, May 31.

3. Payments will be made only to those participants who are in the employ of the Company at fiscal year end, May 31, except:

   a. If a participant dies during the fiscal year, incentive compensation will be paid to the participant's beneficiary, as designated under the Pillsbury Group Life Insurance Plan, or if a beneficiary is not so designated, to the duly appointed personal representative of the participant's estate, proportioned to the duration of the employee's participation in the fiscal year.

   b. If a participant retires with the consent of the Company during the fiscal year, he/she will be entitled to receive incentive compensation proportioned to the duration of the employee's participation in the fiscal year.

   c. If a participant has been given a military leave of absence and is to immediately enter the service of the armed forces, the participant will be paid an amount proportionate to the duration of his/her participation in fiscal year prior to entering the service.

   d. If a participant for any reason such as illness, disability , etc., is absent from work for a protracted period of time, or is able to work only part-time, management may determine the extent to which such employee shall participate. Each case is to be handled on the basis of its own circumstances.

   e. Participants in a plan having multiple incentive periods within a fiscal year will be paid for the last full incentive period preceding the termination of their employment.

4. The inclusion of an eligible employee in this plan does not warrant the assumption nor require that he/she will necessarily participate in a future plan, and the fact that a plan has been established for this year is not to be construed as a precedent for similar action in the future. No employee shall participate without prior written approval of the Senior Vice President, Human Resources. The plan is not a contract of employment.

5. A participant whose general job performance is unsatisfactory or whose managerial attitude is not in the best interest of the Company, will be terminated from the incentive compensation plan, effective upon written notice. In the event the participant is terminated from employment, no incentive compensation will be paid for any part of the fiscal year, unless an exception is approved by the Senior Vice President, Human Resources.

6. The obligations of the Company, as set forth herein, shall be subject to modification in such manner and to such extent as it in its sole discretion deems necessary, or as may be necessary to comply with any law, regulation, or governmental order pertaining to compensation.

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Revised 7/87

EXHIBIT (10)C

THE PILLSBURY COMPANY
1981 PERFORMANCE UNIT PLAN

1. Purposes of the Plan

The purposes of the Plan are (a) to further the long-term growth in earnings of The Pillsbury Company (Pillsbury) by offering long-term incentives in addition to current compensation to those officers and key employees of Pillsbury and its subsidiaries who will be largely responsible for such growth; (b) to attract and retain in the employ of the Company and its subsidiaries persons of outstanding competence; and (c) to further an identity of interest between the officers and key employees and the Company's stockholders.

2. Administration of the Plan

The Plan shall be administered by the Executive Compensation Committee of the Board of Directors of Pillsbury (the Committee) composed of such members (not less than three) as shall be appointed from time to time by the Board. No member of the Committee while serving as such shall be eligible for participation in the Plan. Subject to the provisions of the Plan, the Committee shall have exclusive power to select the employees to participate in the Plan, to determine the number of Performance Units to be granted to each employee selected, and to determine the time or times when Performance Units will be granted. Decisions and determinations by the Committee shall be final and binding upon all parties including Pillsbury and subsidiaries, stockholders, participants and other employees. The Committee shall have the authority to interpret the Plan, to set up and revise rules and regulations relating to the Plan and to make any other determinations that it believes necessary or advisable for the administration of the Plan.

3. Participation

Participants in the Plan shall be selected by the Committee from key executive employees of the Company or any subsidiary of the Company. The term "employee" shall mean any person (including any officer) employed by the Company or a subsidiary on a full-time salaried basis and shall include directors who are also employees of the Company or a subsidiary. The term "subsidiary" shall mean any corporation, a majority of the outstanding voting stock or voting power of which is beneficially owned, directly or indirectly by the Company.

4. Performance Units

Awards under this Plan shall be granted to a participant in the form of Performance Units, which shall be credited to a Performance Unit Account to be maintained for each such participant. Each Performance Unit shall be deemed to be equivalent in value to one share of Common Stock of Pillsbury. The award of Performance Units under the Plan shall not entitle the participant to any dividend, voting, or other right of a stockholder. The value of the Performance Units in a participant's Performance Unit Account at the time of award or at the time of payment shall be the fair market value at any such time of an equivalent number of shares of the Company's Common Stock. The maximum number of Performance Units which may be awarded under the Plan shall not exceed an aggregate of 600,000, subject to adjustment as provided in Section 8 hereof. If any Performance Units awarded under the Plan shall be forfeited or cancelled, such Performance Units may again be awarded under the Plan. Shares of Common Stock of the Company issued upon payment of Performance Units will be purchased on the open market at or prior to the time of payment. An employee may be granted more than one award under the Plan, but no employee may be granted, in the aggregate, more than 10 percent of the maximum number of Performance Units available for award under this Plan.

5. Time of Grant of Awards

The Plan shall have a duration of ten fiscal years of the Company commencing with the fiscal year 1982. The first grant of awards of Performance Units shall be made by the Committee during the first fiscal year and additional grants of Performance Units may be made in the second, third, fourth, fifth, sixth and seventh fiscal years. Such awards will be paid out in full or in part on the basis of Company performance in terms of earnings per share over a four-year period (the "award period") following the beginning of the fiscal year in which the award is made as hereinafter set forth. The Committee may make more than one grant of awards in any fiscal year. An employee shall not be granted an award in each of two consecutive fiscal years.

Should a participant become disabled or die prorated awards will be made if the individual has been a participant in the Plan for two years or more. If the employee voluntarily resigns or is terminated prior to the end of the "award period", the grant will be forfeited and the Performance Units returned to the Plan.

Awards of Performance Units made shall be deemed to have been made at the beginning of the fiscal year in which such awards were made

6. **Right to Payment of Performance Shares**

Awards made in each fiscal year shall be paid only if the Company has achieved the cumulative annual growth in consolidated primary net earnings per share as set forth by the Committee, provided that in no event shall payments be made for cumulative annual growth in consolidated primary net earnings per share of less than 6%.

Cumulative annual growth in consolidated primary net earnings per share will be calculated using as a base consolidated primary net earnings per share equal to the average consolidated primary net earnings per share for the two fiscal years immediately preceding the year in which any such awards are deemed made. In no event shall any such base consolidated primary net earnings per share be less than the base consolidated primary net earnings per share for awards made in the previous fiscal year subject to adjustment as contemplated by Section 8 hereof.

7. **Form and Timing of Payment**

No payments will be made to participants prior to the end of an award period except in the case of death or disability as noted in Section 5 hereof. Payments to the holders of Performance Units on any payment date shall normally be one-half in cash and one-half in shares of Pillsbury Common Stock valued at their fair market value as defined in Section 9 hereof. However, the Committee may authorize payments in some other combinations of cash and stock, or all in cash or in stock, as it deems appropriate. Payment of Performance Units shall be made by the Company as soon as practicable after the receipt of audited financial statements relating to the last year of each award period; provided, however, that the Committee in its sole discretion may, upon request of a participant, defer the actual payment of such participant's Performance Units, and the terms and conditions of any such deferral shall be set forth in a written agreement executed by a member of the Committee and by such participant.

8. **Adjustment in Case of Changes in Stock**

In the event of any change in the outstanding shares of Common Stock of Pillsbury by reason of any stock dividend or split, recapitalization, merger, consolidation, combination or exchange of shares or other similar corporate change, then if the Committee shall determine in its sole discretion, that such change equitably requires an adjustment in the number of units which may be awarded under the Plan, or an adjustment in the number or kind of Performance Units then held in participants' Performance Unit Accounts, or in the number of Performance Units which may be awarded to any one employee, or in base consolidated primary net earnings per share, such adjustments shall be made by the Committee and shall be conclusive and binding for all purposes of the Plan.

9. Miscellaneous Provisions

A. An employee's rights and interest under the Plan may not be assigned or transferred except in the event of an employee's death, to his designated beneficiary as provided in the Plan, or in the absence of such designation, by Will or the laws of descent and distribution.

B. No employee or other person shall have any claim or right to be granted an award under this Plan. Neither this Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of the Company or a subsidiary.

C. The Company or a subsidiary shall have the right to deduct from all awards paid in cash any taxes required by law to be withheld with respect to such cash awards and, in the case of awards paid in Company Stock, the employee or other person receiving such stock shall be required to pay to the Company or subsidiary the amount of any taxes which the Company or a subsidiary is required to withhold with respect to such stock.

D. As used in this Plan, the following terms shall have the following meanings: "Consolidated Primary net earnings per share" means with respect to calculations of growth in any year, the consolidated primary net earnings per share of the Company and its consolidated subsidiaries shown in the Consolidated Statement of Earnings as set forth in the Company's Annual Report to Stockholders for such year. Consolidated primary net earnings per share shall be determined by the Committee which shall adopt rules and regulations relating to the impact of extraordinary items on earnings per share in the base period and in the periods for which growth in earnings is calculated.

"Fair Market Value" of a share of Common Stock of the Company at the time of granting any awards and for purposes of payment of Performance Units shall mean the average of the reported closing prices for such stock on the New York Stock Exchange for the 20 consecutive business days prior to the "valuation date". The "valuation date" for the purpose of grants shall be the first day of the fiscal year in which the grant is made. The "valuation date" for purpose of payments shall be established by the Committee for each award period but in no event shall such date be earlier than the last day of the award period.

In no event shall fair market value for purposes of payment of Performance Units exceed by more than 100% the fair market value at the time of granting the award of such Performance Units.

"Time of payment", with respect to any Performance Units the payment of which has been deferred pursuant to an agreement of deferral as permitted by Section 7 hereof, shall mean the time such Performance Units would have been paid pursuant to Section 7 hereof but for such agreement of deferral.

E. Any payment of Performance Units due under this Plan to a deceased participant shall be paid to such participant's designated beneficiary or, in the absence of such designation, to his legal representatives.

10. Amendment and Termination

The Board of Directors may at any time terminate the Plan, or cancel or reduce or otherwise alter any outstanding awards thereunder, if in its judgment the tax, accounting or other effects of the Plan or potential payouts thereunder would not be in the best interest of the Company. The Board of Directors may at any time, or from time to time, amend the Plan in whole or in part, provided, however, that without further stockholder approval no amendment except as otherwise provided in Section 8 hereof, shall be effective to increase the maximum number of Performance Units which may be awarded under the Plan or to any one individual or to alter the requirements for cumulative annual growth in consolidated primary net earnings per share growth requirements as set forth in or contemplated by Section 6 hereof.

11. Effective Date

This Plan shall be effective as of June 1, 1981, and shall continue in effect for a period of ten years.

EXHIBIT (10)D

THE PILLSBURY COMPANY
NONQUALIFIED DEFERRED COMPENSATION PLAN FOR OFFICERS

(as amended and restated June 1, 1987)

1. Purpose of the Plan. The purpose of THE PILLSBURY COMPANY NONQUALIFIED DEFERRED COMPENSATION PLAN FOR OFFICERS ("Plan") is to provide a means for the deferral of benefits accrued by certain individuals under the Management Incentive Plan (sponsored by The Pillsbury Company) that are in excess of the amount such individuals can defer in the aggregate under the Pillsbury Savings Plan ("Savings Plan") (due to the limitations of Sections 415 and 402(g) of the Internal Revenue Code of 1986 ("Code")) and The Pillsbury Company Nonqualified Deferral Plan ("Deferral Plan").

2. Administration of the Plan. The Plan shall be administered by the Benefits Committee of The Pillsbury Company ("Committee"). All decisions and determinations by the Committee shall be final and binding upon all parties including Plan participants, The Pillsbury Company ("Company") and its subsidiaries, stockholders, and employees. The Committee has the authority to interpret the Plan, to create and revise such rules and regulations relating to the administration of the Plan as it deems necessary, and to make any other determinations or take any action as may be necessary or advisable with respect to the Plan, in its sole discretion.

3. Participation. The Executive Compensation Committee of the Board of Directors of the Company shall determine, in its sole discretion, which individuals shall be eligible to participate in the Plan. Participation in the Plan is completely voluntary.

4. Deferral. A Plan participant ("Participant") shall notify the Committee prior to the end of any fiscal year of the Company (or at such other time as the Committee may designate) of his election to defer income under the terms of the Plan during the next following fiscal year (or such other period as the Committee may designate). This election shall be made in such manner and on such forms as the Committee may require, and shall state the percentage of the Participant's compensation under the Management Incentive Plan, if any, (less amounts contributed to the Savings Plan or deferred under the Deferral Plan) and such other compensation as the Committee, in its sole discretion, may permit to be deferred for the following fiscal year (or such other period as the Committee may permit) under the Plan ("Deferral Amount"). The Participant shall further elect whether the Deferral Amount shall be held in a Cash Unit Account or Share Unit Account, or any combination of them. Records of Deferral Amounts, Cash Unit Accounts, and Share Unit Accounts shall be maintained separately for each Participant in accordance with generally accepted accounting principles.

5. Cash and Share Unit Accounts. The Committee shall cause to be established on the books of the Company a separate Cash Unit Account ("Cash Account") and Share Unit Account ("Share Account") for each Participant. At the end of each fiscal year (or such other time as the Committee may designate) during which the Participant has participated in the Management Incentive Plan, Savings Plan, Deferral Plan, and the Plan, the Committee shall cause the Participant's Deferral Amount to be allocated between the Participant's Cash Account and Share Account as the Participant has elected as of the date the Participant would have received the Deferral Amount but for his election to defer receipt thereof hereunder. Pursuant to such rules and regulations as the Committee may establish, in its sole discretion, a Participant may reallocate Deferral Amounts between his Share Account and Cash Account.

6. Share Accounts. Share Accounts shall be credited with a number of units ("Share Units") equal to the portion of the Deferral Amount allocated to the Share Account divided by the average of the reported closing prices for the Company's Common Stock ("Stock") on the New York Stock Exchange ("NYSE") for the twenty (20) consecutive trading business days immediately preceding the date the Deferral Amount would have been paid to the Participant had the Participant not elected to participate in the Plan. The number of Share Units credited to a Share Account shall be adjusted as appropriate in the event of any changes in the outstanding Stock by reason of any stock dividend, stock split, recapitalization, merger, consolidation, combination or exchange of stock or other similar corporate chan[illegible]

Whenever cash dividends are paid by the Co[illegible]y on outstanding Stock, there shall be credited to the Share Account additional Share Units calculated pursuant to the following formula:

$$N = \frac{SU(D)}{FMV}$$

where N equals the number of additional Share Units to be so credited; SU equals the total number of Share Units in the Share Account as of the date of payment of the dividend before giving effect to such additional Share Units; D equals the dollar amount of the dividend per share; the FMV equals the fair market value per share, being defined to mean the average of the reported closing prices for the Stock on the NYSE for the twenty (20) consecutive trading business days immediately prior to the date of payment of the dividend. New allocations may be determined each year for upcoming deferrals and with regard to prior deferrals.

7. Cash Account. As of the last day of February, May, August, and November of each year, so long as a Deferral Amount remains allocated to a Cash Account, the Company shall credit the Cash Account with interest on the average balance of the Cash Account for the preceding quarter at an annual rate equal to the Company's short-term borrowing rate for internal working capital purposes for such quarter as determined by the Company's Treasurer.

8. Payment of Accounts. The total balance of a Participant's Cash Account and/or Share Account ("Account(s)") shall be paid in cash to the Participant or a designated Beneficiary following the date of the Participant's retirement, resignation, dismissal, disability or death ("Settlement Date"), whichever is earliest. Payment will be made in a lump-sum cash payment during the January immediately following the Participant's Settlement Date ("Lump Sum Payment") or annual cash installments ("Installment Payment") over a period ("Installment Period") not exceeding ten (10) years starting with the January immediately following the Participant's Settlement Date in accordance with the Participant's election. A Participant shall elect the Lump Sum Payment method or Installment Payment method as of his first election to defer hereunder, and such election shall be irrevocable. If a Participant makes no election of payment method, such Participant's Account(s) shall be automatically paid using Installment Payments over a ten (10) year period. A Participant shall not be entitled to alter the payment method except upon the consent of the Benefits Committee, which may give or withhold such consent in its sole discretion. A Participant or designated Beneficiary shall receive payment of the balance of the Account(s) only upon the occurrence of a Settlement Date, except as may be provided under Section 9. "Retirement" shall mean that date upon which the Participant is eligible for and has elected to begin receiving benefits under The Pillsbury Company Retirement Plan for Salaried Employees, any successor plan thereto, or any other

applicable plan, and "disability" shall mean "totally disabled" as that phrase is used in the Company's long-term disability plan.

Share Accounts shall be reallocated to Cash Accounts on the Settlement Date by valuing each Share Unit at the average of the closing prices on the NYSE for the Stock during the twenty (20) consecutive trading business days immediately preceding the Settlement Date.

If Installment Payments were elected by the Participant during the Installment Period, the Cash Account shall be credited with interest pursuant to Section 7. The Benefits Committee may offer such other payment options as it deems appropriate.

The Committee, in its sole discretion, may accelerate the payment of benefits hereunder, including any accrued interest, notwithstanding anything herein to the contrary or any election by a Participant.

9. Hardship. The Committee, in its sole discretion, may accelerate the payment of all or a portion of the balance of a Participant's Account(s), notwithstanding anything herein to the contrary, in the event of any emergency involving a Participant if (a) the emergency involves a hardship arising from causes beyond the Participant's control and (b) the amount of the accelerated payment is limited to the amount necessary to meet such emergency. The determination of the existence of an emergency shall rest solely with the Committee, and the decision of the Committee shall be final. "Hardship" shall not include, by way of example but not limited to, expenses such as education related expenses of a child or other relative, the purchase or remodeling of a home (unless necessitated by an act of God or other catastrophe beyond the control of the Participant).

10. Title to Property; No Fiduciary Responsibility. Each Participant's Account(s) shall be a bookkeeping entry only. Nothing herein contained, and no action or inaction arising pursuant hereto shall give rise to a trust of any kind or create any fiduciary relationship for the benefit of Participants except to the extent mandated by ERISA (Employee Retirement Income Security Act of 1974, as amended). To the extent that a Participant has a right to receive payments from the Company under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company. The Company shall have no obligation hereunder to invest amounts credited to a Participant's Account(s). Participants, and any person claiming a right to payments hereunder, shall rely solely on the unsecured promise of the Company set forth herein and nothing in this Plan shall be construed to give any Participant, or any other person, any right, title, interest or claim in or to any specific asset, fund, reserve, account or property of any kind whatsoever owned by the Company or in which it may have an interest, now or in the future.

11. Form of Payment. All payments made hereunder shall be made in cash.

12. No Right to Continuing Employment or Participation. Nothing herein shall be construed to give any Participant any right to continued employment by the Company or any of its subsidiaries or any right to continued active participation in the Plan.

13. Statement of Account. Each Participant shall receive each fiscal year an annual statement of the dollar amount credited to the Account(s), and the balance of the Account(s) for the previous fiscal year.

14. Assignment. Neither any right to receive payments nor any other interest hereunder shall be assignable by a Participant or the Company and any attempted assignment shall be void. No Participant shall transfer, pledge, or otherwise hypothecate, whether directly or indirectly, any right to receive payments nor any other interest hereunder, in whole or in part, except to a designated beneficiary, or in the absence of such designation, by will or the laws of descent and distribution.

15. Beneficiary. A Participant may designate a beneficiary ("Beneficiary") to receive payment pursuant to the Plan in the event of the Participant's death. A Participant may change the Beneficiary at any time. Such designation, or change of designation, must be made in writing on a form approved by the Committee, and shall not be effective for any purpose unless it has been received by the Committee prior to the death of the Participant In the event the Beneficiary does not survive the Participant, or there is no effective designation of the Beneficiary at the time of the Participant's death, payment pursuant hereto shall be made to the Participant's estate; provided, however, that the Company, in its sole discretion, may pay in one lump sum the total amount due hereunder to such estate. In the event the Beneficiary survives the Participant but dies prior to the payment of all amounts due, such unpaid amounts shall be paid to the Beneficiary's estate; provided, however, that the Company, in its sole discretion, may pay such amount in one lump sum to such estate.

16. Amendment and Termination. The Committee, in its sole discretion, shall have the right to amend the Plan from time to time, to consult with counsel on matters related to the Plan, to terminate the Plan, and to take such other action as it deems necessary or in the interest of the Plan or the Company; provided, however, that no action of the Committee may have the effect of reducing or changing the rights of Participants with

respect to amounts deferred prior to such Committee action, except where such action is required by law.

17. Taxes. The Committee shall have the right to deduct from any payments made hereunder any taxes required to be withheld from such payments, and take any other action with respect to a Participant's Account(s) as it, in its sole discretion, may deem necessary to comply with any federal, state, or local tax laws and regulations.

IN WITNESS WHEREOF, the Company has caused this Plan, as amended and restated, to be executed this 7th day of May, 1987, effective June 1, 1987.

THE PILLSBURY COMPANY

By [signature]
T. C. Sullivan

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EXHIBIT (10)G

THE PILLSBURY COMPANY
STOCK OPTION PLAN OF 1982

Section I

Purpose: The purpose of The Pillsbury Stock Option Plan of 1982 (the "Plan") is to encourage present and future officers and key employees of The Pillsbury Company (the "Company") and any present or future subsidiary to acquire a proprietary interest in the Company through the ownership of its common stock. The Plan is intended to provide an incentive for maximum effort in the successful operation of the Company and its subsidiaries, and to benefit shareholders by enabling the Company and its subsidiaries to attract and retain personnel of outstanding ability.

Section II

Definitions: For purposes of the Plan, the following terms shall have the definition which is attributed to them, unless another definition is clearly indicated by a particular usage and context.

a. *Committee.* The Plan shall be administered by the Stock Option Committee (the "Committee"), which shall consist of at least three individuals and which shall be appointed by and serve at the pleasure of the Company's Board of Directors (the "Board"). The membership of the Committee shall be selected from among those members of the Board who are not employees of the Company or any of its subsidiaries, and who have not been employees of the Company and its subsidiaries during the period of one year prior to the date of their appointment.

b. *Effective Date of Exercise.* The effective date of exercise shall be the date on which the Company has received a written notice of exercise in such form as is acceptable to the Committee, and full payment of the purchase price.

c. *Effective Date of Grant.* The effective date of a grant of a stock option shall be the latest of: the date on which the Committee makes the award, the date on which the recipient becomes an eligible employee, or any other date which the Committee may designate.

d. *Eligible Employees.* An eligible employee is any key employee of the Company or its subsidiaries, including any such employee who is also an officer or director of the Company or any of its subsidiaries. However, eligible employees shall not include any individual who is holding an outstanding award under The Pillsbury Company Performance Unit Plans of 1974 or 1981, nor under any other long term performance incentive plan which the Committee may designate.

e. *Employee.* An employee shall be an individual who performs services for the Company, and is included in the regular payroll of the Company or its subsidiaries. For purposes of the Plan, an employee shall not include any individual who receives retirement benefits, stipends, consulting fees, honorariums, and the like, nor shall it include any individual who continues to be a full time employee of any firm other than the Company or its subsidiaries.

f. *Fair Market Value.* The fair market value of the common stock of the Company shall be deemed to be the mean between the high and low prices for a share of Common Stock on the New York Stock Exchange on a specified date, or if no sale has been made on such exchange on the specified date, then on the last preceding day in which any such sale shall have been made.

g. *Holding Period of Stock.* The holding period for any shares issued pursuant to the exercise of any option granted under the Plan shall commence on the effective date of exercise, and any stock certificate issued upon such exercise shall carry such effective date.

h. *Incentive Stock Option.* For purposes of the Plan, incentive stock option shall have the same meaning as given to that term by the appropriate sections of the Internal Revenue Code of 1954, as amended, and the regulations and rulings promulgated thereunder.

i. *Nonqualified Stock Option.* A nonqualified stock option shall be any option granted under the Plan which is not considered an incentive stock option.

j. *Option.* An option shall constitute the right to purchase from the Company a stated number of shares of common stock of the Company at a specified price. The option may be granted to an employee subject to the terms of this Plan, and such other conditions and restrictions as the Committee deems appropriate.

k. *Option Price.* The purchase price per share of common stock subject to an option shall be fixed by the Committee, but shall not be less than 100% of its fair market value on the effective date of the grant.

l. *Share.* A share shall be considered one share of common stock of the Company, without par value, whether authorized and unissued, or held in the treasury of the Company.

m. *Subsidiary.* Subsidiary shall mean any subsidiary of the Company which is considered an affiliate for purposes of and included in the filing of the Company's consolidated Federal income tax return.

Section III

Shares Subject to Plan. The shares that may be made subject to options granted under the Plan shall not exceed 750,000 in the aggregate. Should any option lapse or terminate for any reason without being completely exercised, the shares which were subject to such option shall again be eligible to be made subject to other options which may be granted after such lapse or termination.

Section IV

Administration of the Plan. The Plan shall be administered by the Committee. A majority of the Committee shall constitute a quorum. The acts of a majority of the members present at any meeting for which there is a quorum, or acts unanimously approved in writing by all of the Committee membership, shall be deemed the acts of the Committee.

The Committee shall select one of its members as its chairman. The Committee shall appoint a secretary who need not be a member of the Committee and who shall maintain a record of its actions, decisions, and proceedings.

Except as specifically limited by the provisions of the Plan, the Committee in its sole discretion shall have the full and final authority to:

a. Determine which eligible employees shall be granted stock options.

b. Determine the number of shares which may be subject to each stock option.

c. Interpret the provisions of the Plan and decide all questions of fact arising in its application.

d. Prescribe such rules and procedures for Plan administration as from time to time it may deem advisable.

Any action, decision, interpretation or determination by the Committee with respect to the application or administration of this Plan shall be final and binding upon all persons, and need not be uniform with respect to its determination of option recipients, amount, timing, form, terms or provisions.

No member of the Committee shall be liable for any action or determination taken or made in good faith with respect to the Plan or any option granted hereunder, and to the extent permitted by law, all members shall be indemnified by the Company for any liability and expenses which may occur through any claim or cause of action.

Section V

Granting of Options. Subject to the terms and conditions of the Plan, the Committee may, from time to time prior to September 15, 1987, grant options on such terms and conditions as the Committee may determine. More than one option may be granted to the same employee.

Section VI

Term of Options. The Committee shall determine the term of each option granted under the Plan, and shall determine whether the option may be exercised in full or only in installments. Notwithstanding this discretion of the Committee and the authority delegated in Section IV hereof, in no event shall any option be granted which has a period for exercise of less than 90 days nor more than ten years from the effective date of grant.

Section VII

Exercise of Options. Any exercise will reduce the number of shares subject to an option by the number of shares received pursuant to that exercise. Any person entitled to exercise an option may do so in whole or in part by delivering to the Company at its principal office in Minneapolis, Minnesota, a written notice of exercise. The written notice shall specify the number of shares on which the option is being exercised, and shall be accompanied by full payment of the option price for the shares being purchased. At the request of the Company, to enable it to comply with applicable securities laws, the person exercising the option shall also represent in writing that the shares are being acquired for his own account and not with a view to distribution or resale.

At the time of exercise, the Company may require the option holder to provide an additional payment to the Company for taxes which may become payable because of the exercise. The Company shall have the absolute and final authority to determine if such taxes are payable. If the Company determines that these taxes are payable, the Company has no obligation to deliver a stock certificate to the option holder for the number of shares for which an option was exercised, until the option holder has made such payment to the Company. In no event may the option holder provide this additional payment for taxes through the tender of a Company stock certificate.

Section VIII

Payment of Option Price. In the discretion of the Committee, payment of the purchase price may be made in cash, by the tender of Pillsbury common stock, or both. If the payment by the tender of Pillsbury common stock is permitted, each such share shall be deemed to have a fair market value equal to the mean between the high and low prices for a share of common stock on the New York Stock Exchange on the day the shares are tendered for payment or, if no sale has been made on such exchange on such date, the last preceding day on which such sale shall have been made. Any excess of the value of the tendered Company common stock over the purchase price will be returned to the option holder as follows:

a. Any whole shares remaining in excess of the purchase price will be returned to the option holder in kind, and may be represented by one or more certificates as determined by the Company in its sole discretion.

b. Any partial shares remaining in excess of the purchase price will be returned to the option holder in cash.

Section IX

Incentive Stock Options and Nonqualified Stock Options. The Committee in its sole discretion may designate whether an option is to be considered an incentive stock option or a nonqualified stock option. The Committee may grant both an incentive stock option and a nonqualified stock option to the same individual. However, where both an incentive stock option and a nonqualified stock option are awarded at one time, such options shall be deemed to have been awarded in separate grants, shall be clearly identified, and in no event will the exercise of one such option affect the right to exercise the other such option.

Should the Committee choose to grant an incentive stock option, such option will be subject to the general provisions applicable to all options granted under the Plan. In addition, the incentive stock option shall be subject to the following specific provisions:

1. At the time the incentive stock option is granted, if the eligible employee owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or his employer subsidiary:

   a. The option price must equal at least 110% of the fair market value of the stock subject to the option at the time of option is granted; *and*

   b. The term of the option shall not be greater than five years from the effective date of the grant.

2. The option holder must remain continuously employed by the Company or its subsidiaries from the effective date of the grant until the effective date of exercise, unless such exercise occurs within the grace period allowed following termination of employment.

3. The option by its terms shall not be exercisable while there is outstanding any incentive stock option which was granted to the employee at an earlier date. For purposes for this provision, an option (including all

installments thereunder) will be considered as outstanding until such time as it has lapsed or expired by its term or it has been fully exercised.

4. During any calendar year the aggregate fair market value of the shares subject to an option (including all installments thereunder) granted to an eligible employee, as determined at the effective date of the grant, shall not exceed $100,000 plus any "carryover amount", as that term is defined in the appropriate sections of the Internal Revenue Code of 1954, as amended, and any regulations or rulings promulgated thereunder.

5. Any stock received pursuant to the exercise of an incentive stock option may not be sold within two years from the effective date of the grant, nor within one year of the effective date of exercise.

If any option is not granted, exercised, or held pursuant to the provisions noted immediately above, it will be considered to be a nonqualified stock option to the extent that any or all of the grant is in conflict with these restrictions.

Section X

Transferability of Option. During the lifetime of an individual to whom an option has been granted, such option is not transferable and may be exercised only by such individual. Upon the death of the employee, the option may be transferred to the beneficiaries or heirs of the option holder by will or by the laws of descent and distribution.

Section XI

Termination of Options. An option may be terminated as follows:

1. During the period of continuous employment with the Company, or any of its subsidiaries (regardless of whether the subsidiary is domestic or foreign, or whether it is included in the Company's consolidated

Federal income tax return), an option will be terminated only if it is exercised or it has expired by its terms. For purposes of the Plan, a leave of absence approved by the Company shall not be deemed to be termination of employment.

2. Upon termination of employment, for any reason other than death or disability, the option will terminate at the end of the 90th calendar day following the date of termination.

3. Upon termination of employment by reason of death, the option will terminate at the end of one year following the date of death.

4. Upon termination by reason of disability, the option will terminate at the end of one year following the date the employee is no longer considered eligible to receive continuous service under his employer's pension plan.

Except as provided in Section XIII, in no event will the continuation of the option term beyond the date of termination of employment allow the employee, or his heirs or beneficiaries, to accrue additional rights under the Plan, or to purchase more shares through the exercise of an option than could have been purchased on the day that employment was terminated.

Section XII

Repurchase Rights. The Committee in its sole discretion may provide, that within 90 days of the later of the effective date of exercise or the date of termination the Company may repurchase any or all shares purchased through the exercise of an option, provided that such exercise occurred within 180 days prior to, or any time after, the respective employee's termination of employment. The repurchase price shall be equal to the purchase price paid by the employee upon exercise of the stock option.

Section XIII

Adjustments to Shares and Option Price. The Committee in its sole discretion may make appropriate adjustments in the number of shares subject to option or in the option price, to give effect to changes made in the number of outstanding shares of the Company as a result of merger, consolidation, recapitalization, reclassification, combination, stock dividend, stock split, or other relevant changes.

Section XIV

Option Agreements. All options granted under the Plan shall be evidenced by a written agreement in such form or forms as the Committee in its sole discretion may determine.

Section XV

Amendment or Discontinuance of Plan. The Board may at any time amend, suspend, or discontinue the Plan; provided, however, that no amendment by the Board shall, without further approval of the shareholders of the Company:

1. Change the class of eligible employees;
2. Except as provided in Section's III and XIII, increase the number of shares which may be subject to options granted under the Plan;
3. Permit the granting of options to employees who are then members of the Committee.

No amendment to the Plan shall alter or impair any option granted under the Plan without the consent of the holders thereof.

Section XVI

Rights of a Shareholder. The granting of an option under the Plan shall give the recipient no rights as a shareholder except as to shares actually issued to him subsequent to their purchase through the exercise of such option.

Section XVII

Rights of Employment. Nothing in the Plan nor in any agreement entered pursuant to the Plan shall confer upon the employee any right to continued employment by the Company or its subsidiaries, nor shall it impair any right of the Company to terminate such employment.

Section XVIII

Gender. As used in the Plan where appropriate, the masculine shall include the feminine and the singular shall include the plural.

EXHIBIT (10)S

THE PILLSBURY COMPANY
NONQUALIFIED DEFERRAL PLAN

(effective June 1, 1987)

1. PURPOSE OF THE PLAN

The purpose of THE PILLSBURY COMPANY NONQUALIFIED DEFERRAL PLAN ("Plan") is to provide a means for the deferral of certain compensation by persons eligible to participate ("Participant") in the Plan. The Plan permits the deferral of a portion of a Participant's Compensation for the fiscal year in which he participates. "Compensation" means a Participant's fiscal year Base Salary as in effect as of any given pay period (net of withholding other than federal, state or local taxes) (on a weekly, monthly, quarterly or such other basis as the Benefits Committee may authorize), plus a Participant's incentive payment ("Incentive Payment") from the Pillsbury Management Incentive Plan (or other similar program or plan maintained by a subsidiary) for that fiscal year.

Notwithstanding the foregoing, no person may participate in this Plan unless he has first elected to defer (for each fiscal year in which he desires to participate in this Plan) the maximum portion of his Compensation that is permitted under the terms of the Pillsbury Savings Plan ("Savings Plan"), subject to any limitations or exceptions imposed or permitted by the Internal Revenue Code of 1986, as amended from time to time ("Code"), or The Pillsbury Company ("Company"), or the Company's Benefit Committee ("Benefits Committee").

2. ADMINISTRATION OF THE PLAN

The Plan shall be administered by the Benefits Committee. All decisions and determinations by the Benefits Committee shall be final and binding upon all parties including Participants, the Company, its subsidiaries, stockholders, employees, and other persons. The Benefits Committee has the authority to interpret the Plan, to create and revise such rules, forms and regulations relating to the administration of the Plan, and to make any and all other determinations or take any action as it may in its sole discretion deem necessary or desirable. The Benefits Committee may delegate some or all of its authority hereunder as it may in its sole discretion deem necessary or desirable.

3. PARTICIPATION

Subject to the requirements of Section 1 and such additional eligibility and such additional participation rules and regulations as the Executive Compensation Committee ("Compensation Committee") of the Board of Directors of the Company may establish, any regular full-time salaried employee of the Company or a participating subsidiary, whose position is at least a Grade Level 21 (or has the title of Vice President or higher in the case of a subsidiary), and has an estimated Base Salary and Incentive Payment for the calendar year during which the election to participate is made of at least $50,000, or such higher amount as the Benefits Committee may require in its sole discretion, is eligible to become a Participant; provided that the Compensation Committee may deny participation to any eligible person in its sole discretion. The Compensation Committee may make such other rules or exceptions regarding participation as it may in its sole discretion deem necessary or desirable; provided, however, that participation shall be appropriately limited so that the Plan remains exempt from the Employee Retirement Income Security Act of 1974 ("ERISA"). PARTICIPATION IN THE PLAN IS COMPLETELY VOLUNTARY.

4. COMPENSATION DEFERRAL

A Participant desiring to defer a portion of his Compensation under the Plan shall notify the Benefits Committee prior to the end of any fiscal year of the Company of his election to defer a portion of his Compensation payable with respect to the next following fiscal year, not to exceed the Maximum Deferral Percentage for such year. "Maximum Deferral Percentage" is the amount by which ten percent (10%) exceeds the maximum percentage of Compensation the Participant has been permitted to and has elected to contribute to the Savings Plan.

(a) The Participant's election shall be made in such manner and on such forms as the Benefits Committee may require, and shall state the percentage (in one percent increments up to the Maximum Deferral Percentage) of the Participant's Compensation to the deferred for the the following fiscal year ("Deferred Amount").

(b) All Deferred Amounts shall be allocated to a Cash Unit Account ("Cash Account") as defined in Section 5. Participants may request that some or all of a Deferred Amount be allocated to a Share Unit Account ("Share Account"); provided, however, that no part of a Deferred Amount may be allocated to a Share Account under this Plan until specifically authorized by the Benefits Committee in its sole discretion.

(c) The Participant shall irrevocably elect the method of payment under the Plan for all Deferred Amounts for all years ("Total Deferred Amount") as of the date the Participant first elects to defer a Deferred Amount. The Total Deferred Amount shall be payable in accordance with Section 9. The Benefits Committee may, in its sole discretion, establish such forms, rules and regulations as it deems appropriate with respect to such elections.

(d) An election to defer Compensation for any fiscal year shall apply to any Incentive Payment for such fiscal year, regardless of when paid.

5. CASH AND SHARE ACCOUNTS

The Benefits Committee shall cause to be established on the books of the Company a separate Cash Account and Share Account for each Participant. Subject to the restrictions of Section 4(b), as of each date ("Deferral Date") when the Participant would have received the Deferred Amounts but for his decision to defer hereunder, the Benefits Committee shall cause the Participant's Deferred Amount to be allocated to the Participant's Cash Account and, if permitted, Share Account, in the proportion elected by the Participant.

Records of Deferred Amounts, Share Accounts and Cash Accounts shall be maintained separately for each Participant in accordance with generally accepted accounting principles. Subject to the restrictions of Section 4(b), new allocations between a Participant's Cash Account and Share Account may be made each year for future deferrals, and reallocations may be made with regard to prior deferrals, in accordance with such rules and regulations as the Benefits Committee may establish from time to time in its sole discretion.

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6. <u>SHARE ACCOUNTS</u>

Share Accounts shall be credited with a number of units ("Share Units") equal to the portion of the Deferred Amount allocated to the Share Account divided by:

(a) in the case of any portion of the Participant's Deferred Amount attributable to an Incentive Payment ("Incentive Amount"), the average reported closing prices for the Company's Common Stock ("Stock") on the New York Stock Exchange ("NYSE") for the twenty (20) consecutive trading business days immediately preceding the Deferral Date for such Incentive Amount; or

(b) in the case of a portion of the Participant's Deferred Amount attributable to Base Salary ("Salary Amount"), the average of the high and low reported price for the Stock on the NYSE on the Deferral Date for such Salary Amount.

The number of Share Units credited to a Share Account shall be adjusted as appropriate in the event of any changes in the outstanding Stock by reason of any stock dividend, stock split, recapitalization, merger, consolidation, combination or exchange of stock or other similar corporate change.

Whenever cash dividends are paid by the Company on outstanding Stock, there shall be credited to the Share Account additional Share Units calculated pursuant to the following formula:

$$N = \frac{SU(D)}{FMV}$$

where N equals the number of additional Share Units to be so credited; SU equals the total number of Share Units in the Share Account as of the record date for the dividend before giving effect to such additional Share Units; D equals the dollar amount of the dividend per share; and FMV equals the fair market value per share, being defined to mean the average of the reported closing prices for the Stock on the NYSE for the twenty (20) consecutive trading business days immediately prior to the record date for the dividend.

NO SHARES OF STOCK ARE ACTUALLY HELD OR PURCHASED UNDER THIS PLAN. PAYMENT OF A SHARE ACCOUNT SHALL BE IN THE FORM OF CASH ONLY.

7. <u>CASH ACCOUNT</u>

As of the last day of February, May, August and November of each year, so long as a Deferred Amount remains allocated to a Cash Account, the Company shall credit the Cash Account with interest on the average balance of the Cash Account for the preceding quarter at an annual rate equal to the Company's short-term borrowing rate for internal working capital purposes for each quarter as determined by the Company's Treasurer; the Benefits Committee may, in its sole discretion, change the method of calculating interest on the Cash Account. No interest shall be allocated to a Cash Account that has a zero balance.

8. COMPANY DEFERRAL AMOUNTS

"Limitation Participant" means a person who is a Participant in the Plan, and who elects to defer four percent (4%) of profit sharing earnings (as defined in the Savings Plan) and four percent (4%) of supplemental profit sharing earnings (as defined in the Savings Plan) but is required to defer less than four percent (4%) under the Savings Plan due to the limitation of Code Section 402(g).

As of each Deferral Date, the Company shall credit each Limitation Participant with an amount ("Company Contribution") equal to the difference between the employer supplemental contribution (as defined in the Savings Plan) that was actually made on behalf of such Limitation Participant under the terms of the Savings Plan for such Deferral Date, and the employer supplemental contribution which would have been made on behalf of such Limitation Participant for such Deferral Date but for the limitation of Code Section 402(g), but only if such Limitation Participant is participating in the Savings Plan and this Plan to an aggregate amount equal to at least four percent (4%) of Compensation. The Company shall allocate said Company Contribution between a Participant's Cash and, if permitted, Share Accounts in the proportion that the Participant had elected as to his Deferred Amounts for the relevant fiscal year.

9. PAYMENT OF DEFERRED AMOUNTS

The total balance of a Participant's Cash Account and/or Share Account ("Account(s)") shall be paid in cash to the Participant or a designated Beneficiary following the date of the Participant's retirement, resignation, dismissal, disability or death ("Settlement Date"), whichever is earliest. Payment will be made in a lump-sum cash payment during the January immediately following the Participant's Settlement Date ("Lump Sum Payment") or annual cash installments ("Installment Payment") over a period ("Installment Period") not exceeding ten (10) years starting with the January immediately following the Participant's Settlement Date in accordance with the Participant's election under Section 4(c). A Participant shall elect the Lump Sum Payment method or Installment Payment method as of his first election to defer hereunder. If a Participant makes no election of payment method, such Participant's accounts shall be automatically paid using Installment Payments over a ten (10) year period. A Participant shall not be entitled to alter the payment method except upon the consent of the Benefits Committee, which may give or withhold such consent in its sole discretion. A Participant or designated Beneficiary shall receive payment of the balance of the Accounts(s) only upon the occurrence of a Settlement Date, except as may be provided under Section 10. "Retirement" shall mean that date upon which the Participant is eligible for and has elected to begin receiving benefits under The Pillsbury Company Retirement Plan for Salaried Employees, any successor plan thereto, or any other applicable plan, and "disability" shall mean "totally disabled" as that phrase is used in the Company's long-term disability plan.

Share Accounts shall be reallocated to Cash Accounts on the Settlement Date by valuing each Share Unit at the average of the closing prices on the NYSE for the Stock during the twenty (20) consecutive trading business days immediately preceding the Settlement Date.

If Installment Payments were elected by the Participant, during the Installment Period the Cash Account shall be credited with interest pursuant to Section 7. The Benefits Committee may offer such other payment options as it deems appropriate.

The Benefits Committee, in its sole discretion, may accelerate the payment of benefits hereunder, including any accrued interest, notwithstanding anything herein to the contrary or any election of a Participant.

10. HARDSHIP

The Benefits Committee, in its sole discretion, may accelerate the payment of all or a portion of the balance of a Participant's Account(s), notwithstanding anything herein to the contrary, in the event of any emergency involving a Participant if:

(a) the emergency involves a hardship arising from causes beyond the Participant's control; and

(b) the amount of the accelerated payment is limited to the amount necessary to meet such emergency.

The determination of the existence of an emergency shall rest solely with the Benefits Committee. The determination that a hardship or emergency exists does not require or obligate the Benefits Committee to approve any acceleration of the payment of all or any portion of a Participant's Account(s). The Benefits Committee may require such evidence and documentation of hardship as it, in its sole discretion, may deem appropriate or desirable. The decision of the Benefits Committee shall be final. "Hardship" shall not include, by way of example but not limited to, expenses such as the education-related expenses of a child or other relative, or the purchase or remodeling of a home (unless necessitated by an act of God or other catastrophe beyond the control of the Participant).

11. PLAN IS UNFUNDED; NO TITLE TO PROPERTY; NO FIDUCIARY RESPONSIBILITY OR RELATIONSHIP

(a) Accounts are Bookkeeping Entries Only. Each Participant's Account(s) is a bookkeeping entry only.

(b) Plan is Unfunded. The Plan is an unfunded deferred compensation plan. Plan benefits are paid solely from the general assets of the Company; no amounts are held in any trust or other similar arrangement of any kind.

(c) Plan Benefits are Unsecured. Participants are General Creditors of the Company. To the extent that a Participant or any person has a right to receive payments from the Company under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company. The Company shall have no obligation hereunder to actually invest amounts credited to a Participant's Account(s). Participants, and any person claiming a right to payments hereunder, shall rely solely on the unsecured promise of the Company set forth herein. Nothing in this Plan (which may be amended or terminated at any time) shall be construed to give any Participant, or any other person, any right, title, interest or claim in or to any specific asset, fund, reserve, account or property of any kind whatsoever owned by the Company or in which it may have an interest, now or in the future.

(d) No Fiduciary Relationship or Responsibility. Under ERISA and related federal laws, the Company, Benefits Committee, and Compensation Committee, whether jointly or severally, are not fiduciaries with respect to this Plan, and have no fiduciary obligation with respect to any Participant or person. Further, nothing herein contained, and no action or inaction arising pursuant hereto shall give rise under federal law to a trust of any kind or create any fiduciary relationship of any kind or degree for the benefit of Participants, any Beneficiary, or any person.

(e) Plan is Not Subject to ERISA.

THE PLAN IS AN UNFUNDED DEFERRED COMPENSATION PLAN MAINTAINED BY THE COMPANY PRIMARILY FOR THE PURPOSE OF PROVIDING DEFERRED COMPENSATION FOR A SELECT GROUP OF MANAGEMENT OR HIGHLY COMPENSATED EMPLOYEES AS DEFINED BY ERISA, AS AMENDED FROM TIME TO TIME; AS SUCH, IT IS EXEMPT FROM ALL PARTICIPATION, VESTING, SURVIVOR ANNUITY AND RELATED REQUIREMENTS OF ERISA PURSUANT TO SECTION 202(2) OF ERISA, FROM ALL FUNDING AND RELATED REQUIREMENTS OF ERISA PURSUANT TO SECTION 301(a)(3) OF ERISA, AND FROM ALL FIDUCIARY RESPONSIBILITY REQUIREMENTS OF ERISA PURSUANT TO SECTION 401(a)(1) OF ERISA.

12. FORM OF PAYMENT

All payments made hereunder shall be made in cash; no Participant shall be entitled to payment in Stock or any other form.

13. NO RIGHT TO CONTINUING EMPLOYMENT OR PARTICIPATION

Nothing herein shall be construed to give any Participant any right to continued employment by the Company or any of its subsidiaries or any right to continued active participation in the Plan. The Plan is not and shall not be deemed to be a contract of employment.

14 STATEMENT OF ACCOUNT

Each Participant shall receive an annual statement of the dollar amount and/or Share Units credited to the Participant's Account(s) during the previous fiscal year, and the balance of the Account(s) at the end of the fiscal year.

15. ASSIGNMENT

Neither any right to receive payments nor any other interest hereunder is assignable, or otherwise transferable, by a Participant and any such attempted assignment or transfer shall be void. No Participant shall assign, transfer, pledge, or otherwise hypothecate, whether directly or indirectly, any right to receive payments nor any other interest hereunder, in whole or in part, except to a designated Beneficiary in accordance with the Plan, or in the absence of such designation, by will or the laws of descent and distribution.

16. BENEFICIARY

A Participant may designate a beneficiary ("Beneficiary") to receive payment pursuant to the Plan in the event of the Participant's death prior to said Participant having received full payment of his Account(s). Subject to the provisions of this Section 16, a Participant may change the Beneficiary at any time, without the approval of or notice to any Beneficiary or person. Such designation, or change of designation must be made in writing on a form approved by the Benefits Committee, and shall not be effective for any purpose unless it has been received by the Benefits Committee prior to the date of the death of the Participant. In the event the Beneficiary does not survive the Participant, or there is no effective designation of the Beneficiary at the time of the Participant's death, payment pursuant hereto shall be made to the Participant's estate; provided, however, that the Benefits Committee in its sole discretion, may pay in one lump sum the total amount due hereunder to such estate. In the event the Beneficiary survives the Participant but dies prior to the payment of all amounts due, such unpaid amounts shall be paid to the Beneficiary's estate; provided, however, that the Benefits Committee, in its sole discretion, may pay such amount in one lump sum to such estate.

17. AMENDMENT AND TERMINATION

The Benefits Committee, or the Compensation Committee, or the Company, jointly or separately, in their sole discretion, and for any reason, shall have the right to amend, change or modify the Plan from time to time as they deem necessary or desirable, to consult with counsel on matters related to the Plan, to terminate the Plan, and to take such other action or inaction as it deems necessary or desirable or in the best interest of the Plan or of the Company; provided, however, that no action or inaction of the Benefits Committee may have the effect of reducing or changing the rights of Participants with respect to amounts deferred prior to such action or inaction by the Benefits Committee, except where such action or inaction is required by law.

18. TAXES

The Company or the Benefits Committee shall have the right to deduct from any payments made hereunder any taxes it believes it is required to withhold from such payments, and take any other action with respect to a Participant's Account(s) as each, in its sole discretion, may deem necessary to comply with any federal, state, or local tax laws and regulations, or other laws or regulations.

19. ACCELERATION OF BENEFITS

The Benefits Committee, the Compensation Committee or the Company may, jointly or separately, in their sole discretion, and for any reason, accelerate the payment of all or any portion of amounts deferred under the Plan, regardless of any election by a Participant, a Participant's Settlement Date or Deferral Date, or the payment method elected by any Participant, or any other action or omission of any Participant, Beneficiary or person.

IN WITNESS WHEREOF, the Company has caused the Plan to be adopted effective June 1, 1987, and executed by an authorized representative of the Benefits Committee, as of the 7th day of May, 1987.

THE PILLSBURY COMPANY

By: [signature]
T. C. Sullivan, Chairman
Benefits Committee
Senior Vice President, Human Resources
The Pillsbury Company

EXHIBIT (12)

Exhibit (12)

THE PILLSBURY COMPANY AND SUBSIDIARIES
RATIOS OF EARNINGS TO FIXED CHARGES

	Year ended May 31				
	1987	1986	1985	1984	1983
			(In millions)		
Earnings:					
Earnings before taxes on income	$352.5	$377.1	$340.2	$303.7	$230.2
Add fixed charges, excluding amount capitalized	171.1	175.2	122.6	113.8	111.8
Less undistributed (earnings) losses of 50% or less-owned affiliates	(8.5)	(4.5)	(2.4)	3.0	3.5
Earnings	$515.1	$547.8	$460.4	$420.5	$345.5
Fixed charges:					
Interest on indebtedness, including amount capitalized	$133.3	$137.7	$ 92.2	$ 85.8	$ 82.2
Portion of rents representative of the interest factor	41.2	41.4	32.8	30.3	31.5
Fixed charges	$174.5	$179.1	$125.0	$116.1	$113.7
Ratio of earnings to fixed charges	2.95	3.06	3.68	3.62	3.04

EXHIBIT (13)

The Pillsbury Company

1987 Annual Report

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IMAGE EVALUATION TEST TARGET (MT-3)

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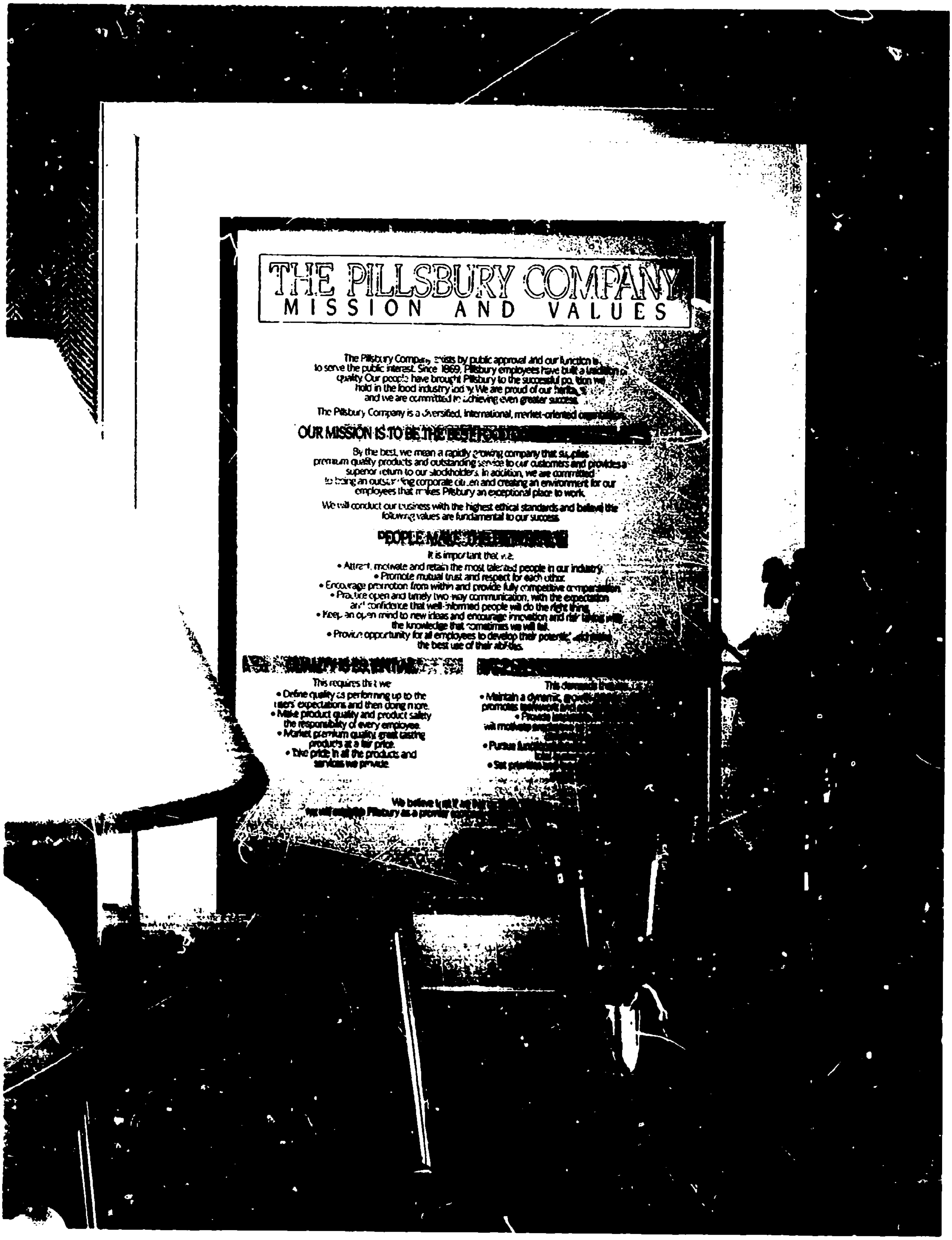
Information Services
15740 Shady Grove Road
Gaithersburg, Maryland 20877-1454


THE PILLSBURY COMPANY
MISSION AND VALUES

Financial Highlights

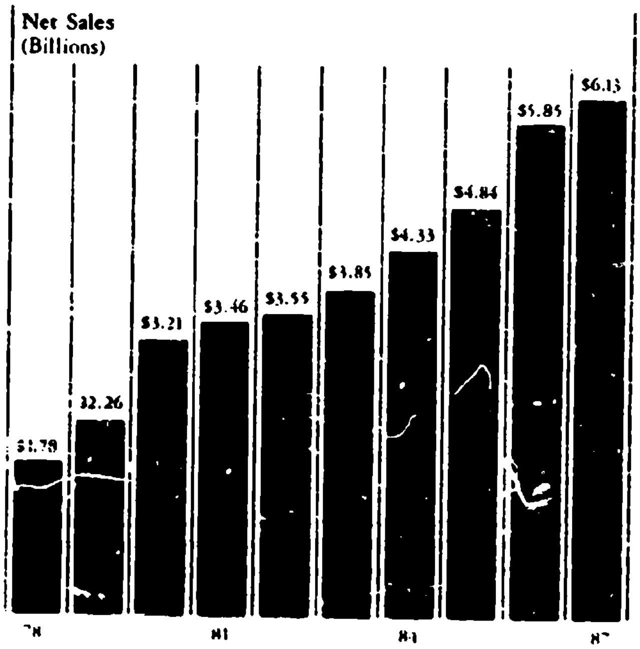
For the Year:	Year Ended May 31 1987	1986	Increase (Decrease)
	(In millions)		
Net Sales	$6,128	$5,848	5 %
Net Earnings	182	208	(13)
Cash Dividends	83	73	14
New Investments	400	1,118	(64)

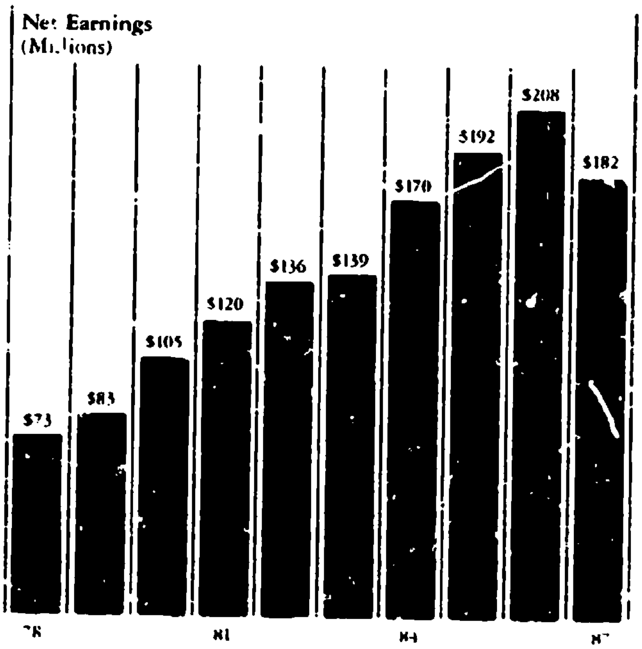
Per Share:	Year Ended May 31 1987	1986	Increase (Decrease)
Net Earnings	$ 2.10	$2.38*	(12)%
Cash Dividends	.965	.84*	15
Shareholders' Equity	16.00	15.12*	6
Closing Price of Common Stock	38¾	40⅛*	(3)

At Year-End:	1987	1986	Increase (Decrease)
Total Assets	$3,853	$3,659	5 %
Long-Term Debt	997	1,025	(3)
Shareholders' Equity	1,379	1,314	5

Performance Measures:	1987	1986
Net Earnings as a Percent of Sales	3.0%	3.6%
Return on Average Shareholders' Equity	13.5	16.8
Return on Average Invested Capital	10.1	12.7

*Restated to reflect a two-for-one stock split in November 1986.





To Our Shareholders

Fiscal 1987 was a difficult and challenging year. While our Foods business reported excellent operating results, lower earnings in Restaurants, restructuring charges and a higher tax rate resulted in Pillsbury's first earnings decline in 16 years. After intensive review, we made several hard choices and emerged more committed than ever to achieve the aggressive objectives outlined in our Mission and Values Statement.

Our key financial results were mixed. Net sales rose five percent to a record $6.15 billion. Net earnings declined 15 percent to $182 million and earnings per share were down [illegible] percent to $2.10. Our return on shareholders' equity was 15.5 percent. Cash dividends were increased 15 percent and a two-for-one stock split in November was our second in the last three years.

Clearly, we are not satisfied with this overall performance, and it is our intention to improve earnings and returns significantly in Fiscal 1988. To this end, programs are underway throughout the Company.

Approximately half of the Fiscal 1987 earnings decline was due to restructuring charges incurred during the fourth quarter. These charges reflect our ongoing effort to sell or divest low-return assets and improve productivity. This decision penalized Fiscal 1987 results by $42 million, or 14 cents per share. A year ago, we benefited from the sale of assets, which added $15 million, or 17 cents per share, to net earnings. Excluding these unusual items, net earnings from operations increased slightly to $2.24 per share from $2.21.

A higher tax rate also reduced earnings for the year. Passage of the Federal Tax Reform Act of 1986 eliminated investment tax credits and increased our effective tax rate to 48.[illegible] percent versus 44.8 percent in Fiscal 1986. Nevertheless, we welcome the new tax law as it should significantly lower our future tax rate to [illegible] 40 percent.

John M. Stafford, Roger L. Headrick, Jerry W. Levin, Edward C. Stringer

Operationally, our Foods and Restaurants businesses had very different results. Foods had an excellent year with operating profit up 19 percent [illegible] a unit volume increase of six percent. Restaurants, however, did not meet expectations, and operating profit declined 28 percent, about half of which related to unusual items.

On the plus side, we had excellent results from our Prepared Foods business, from our expanding line of new microwave products, and [illegible] International and [illegible] businesses. Vegetables [illegible] topped last year's record profit despite intense competition. In Restaurants, Bennigan's and Godfather's Pizza were standout performers in their industry segments. Burger King, with a one percent gain in comparable store sales, reported a [illegible] percent increase in systemwide sales and increased its share of the domestic [illegible] market.

The good news, however, does not minimize the fact [illegible] some major problems in Fiscal 1987. [illegible] counts fell sharply at [illegible]. We failed to achieve expected results at Quik Wok and Distron, and Ice Cream profits fell well below expectations as we revised [illegible] promotion [illegible] at the [illegible] Häagen-Dazs brand.

[illegible]

number of significant changes. Specifically, we:

- Closed four Foods plants, consolidated other operations and sold two flour mills to improve capacity utilization and reduce administrative costs.
- Initiated a plan to convert selected Häagen-Dazs Shoppes from a franchised to a licensed basis.
- Decided to sell 40 full service restaurants that are either poor performers or not strategically located for future growth. We also closed nine Quik Wok units.
- Cut back previously planned capital expenditures in Restaurants until they are justified by higher returns.
- Reduced headquarters staff, primarily at Burger King.
- Realigned responsibilities in the Restaurants Group with the consolidation of operations under J. Jeffrey Campbell, Group Chairman, and the appointment of Charles S. Olcott as President of Burger King USA, and Donald J. Slater as President of the S&A Restaurant Corp.
- In addition, we modified the way we will determine future long-term incentive compensation awards for senior management to include the achievement of higher returns on shareholders' equity and invested capital, as well as continuing to reward earnings per share growth.

We believe that these actions and the continuing efforts of Pillsbury's exceptional employees will restore our historic earnings growth and add meaningfully to shareholder wealth. The $400 billion-a-year food industry in the United States and the infinitely larger international market offer tremendous opportunity for continued growth as we build on our strong Foods brands and restore momentum to our Restaurants business.

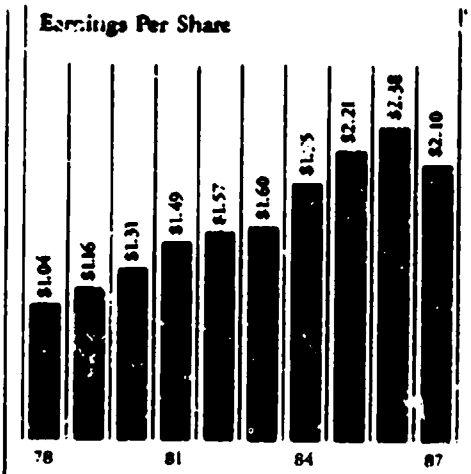
Shareholders are cordially invited to attend the 118th Annual Meeting of The Pillsbury Company to be held at the Ordway Music Theatre in St. Paul at 2:00 p.m. on September 10, 1987.

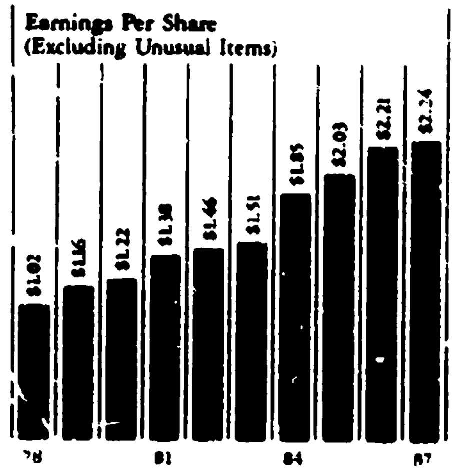
Respectfully submitted,

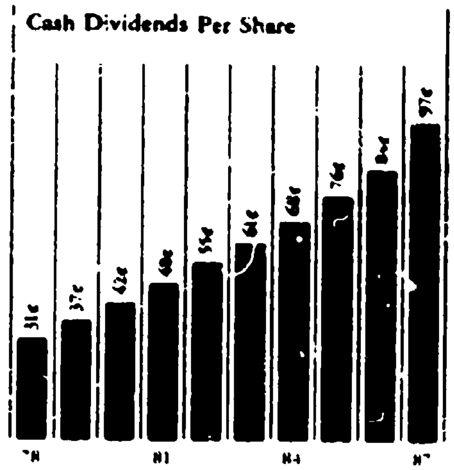
John M. Stafford

John M. Stafford,
Chairman of the Board,
President and
Chief Executive Officer

July 15, 1987







Foods

Pillsbury's Foods Group turned in another excellent performance in Fiscal 1987. Sales rose six percent to $3.36 billion, operating profit increased 19 percent to $246 million and pretax return on invested capital advanced four percentage points to a record 25 percent.

Volume for consumer foods rose six percent as a host of new products, including the industry's first microwave cake mix, added vitality and contemporary appeal to Pillsbury's already impressive array of quality packaged foods. Operations benefited from the integration of prior-year acquisitions and from low ingredient costs. Commodity Marketing and International Foods also turned in significantly improved profits.

This momentum, which is carrying into Fiscal 1988, is attributable to the market leadership of the Company's strong consumer brands and the diversity of its product offerings. More than 75 percent of the Company's consumer foods sales in the United States in Fiscal 1987 came from categories that grew during the year, and 80 percent came from businesses where Pillsbury has the number one or number two market share position. The Company also strengthened its position in the international market, where it is building a reputation as a leading producer of ready-to-eat baked goods in Europe and as a global supplier of premium quality vegetables.

Nevertheless, the year had its difficulties and disappointments. Profits were penalized by strategic decisions to improve quality control standards for Haagen-Dazs and to build market share for Van de Kamp's at a time of rising fish costs. Canned vegetables and industrial flour were hurt by competitive price declines, and Toaster Strudel™ pastries, a major new product of Fiscal 1985, proved to have less sales potential than originally anticipated.

John F. Morrison, Thomas R. McBurney, Russell J. Bragg, Kent C. Larson

The Company's new product emphasis is increasingly focused on microwave technology, where years of research and expertise have made Pillsbury the acknowledged industry leader. A product line of [illegible] top-quality microwave-only items generated annual sales of $17[illegible] million — nearly a three-fold increase from Fiscal 1986. To support this effort, as well as maintain the Company's technical edge across its entire product line, research and development spending for Foods was increased eight percent to $58 million.

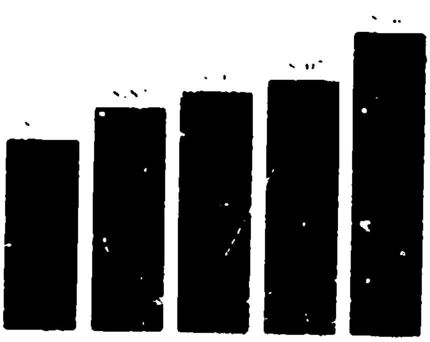
Advertising increased nine percent and surpassed $100 million for the first time. Including consumer and trade promotion, total marketing expenditures rose three percent to $[illegible] million.

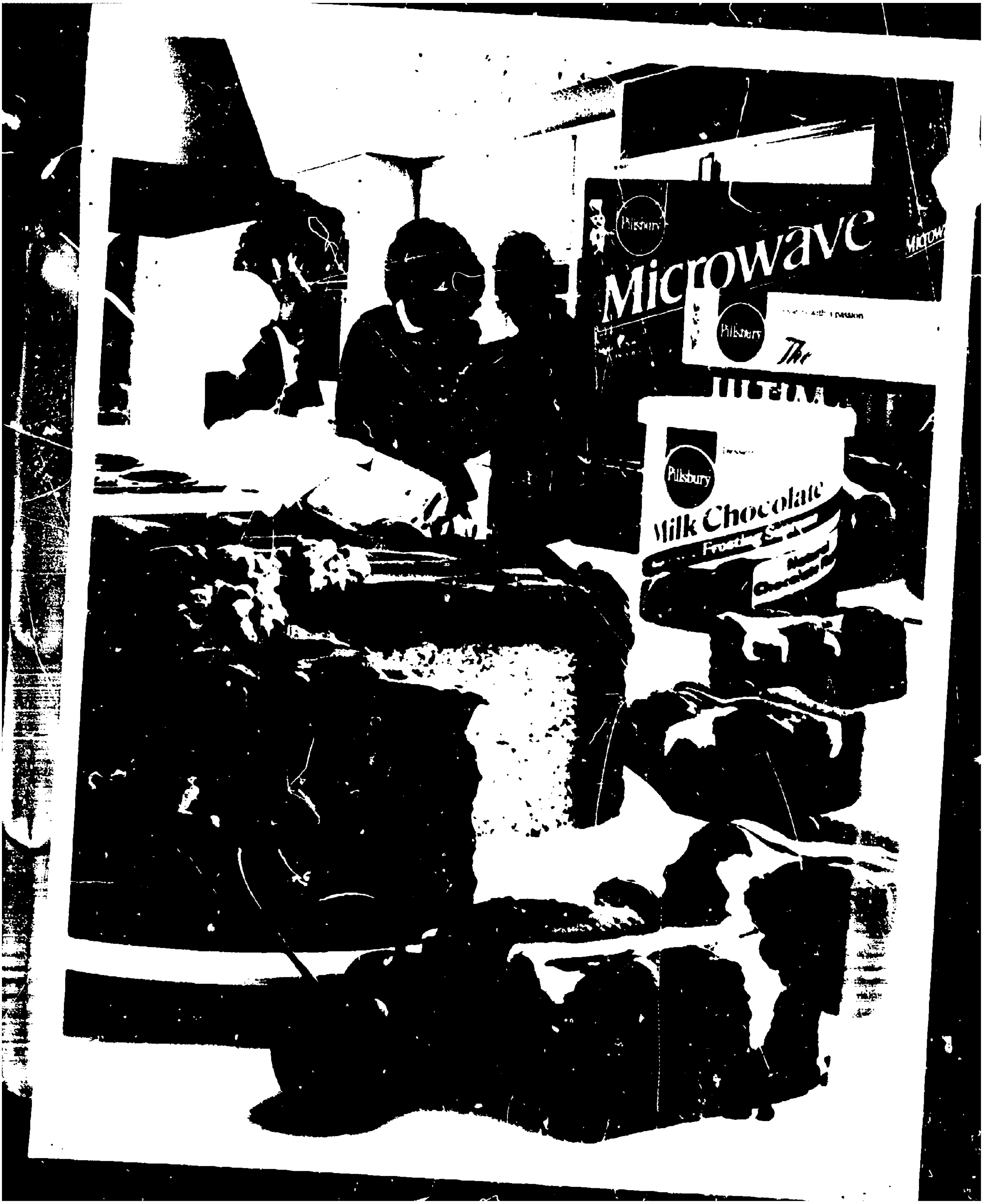
The Pillsbury Doughboy, with the [illegible] tummy and the [illegible], is more than just a super salesman for the Company. According to [illegible], he's the nation's favorite commercial character as well.

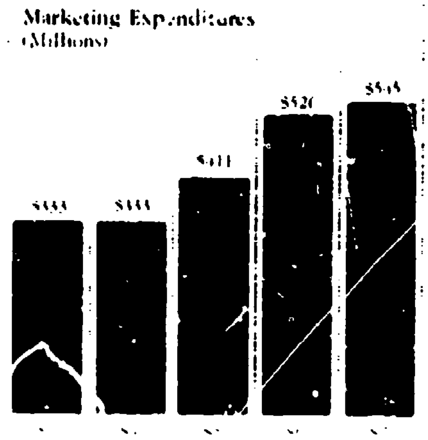
As part of its mission to be the best, Pillsbury strives to meet and exceed the expectations of its customers.

Net Sales
(b[illegible])

Operating Profit
(M[illegible])

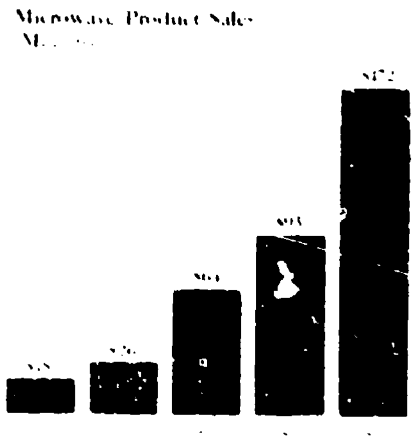



Pillsbury
Microwave
Pillsbury
Pillsbury
Milk Chocolate



The Company has united a number of critical functions including manufacturing, sales, distribution, information systems and transportation in an effort to become the preferred supplier to the grocery trade. Encompassing simple, straightforward goals of order and billing accuracy, on time delivery, and prompt communication of problems, the three year old program has lifted customer service scores by 20 to 50 percent in each category, resulting in increased purchases of Pillsbury products.

A number of important steps were taken in fiscal 1987 and early fiscal 1988 to improve capacity utilization at production facilities, and where possible, consolidate operations. A flour mill and a regional ice cream operation in the U.S. were sold, as was a joint venture in Australia. A second flour mill is in the process of being sold, two other manufacturing plants in the U.S. and one each in Canada and Germany were closed, and Mexican operations were reorganized. The Company believes that with these efforts it will be [illegible] stronger [illegible] petitor in the years ahead.



Vegetables and Side Dish

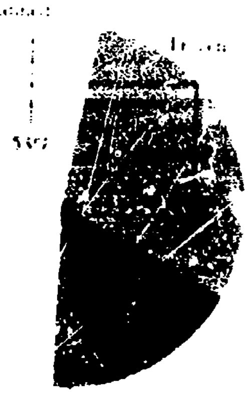
[illegible]

Pillsbury is the number [illegible] producer of quality [illegible] vegetables in the U.S., [illegible] approximately [illegible] percent of the [illegible]ket. This position is based on [illegible] hybrids, a presence in multiple [illegible]kets — canned, frozen and fresh, [illegible] well as dehydrated potatoes — and the brand image of the Green Giant as the symbol of freshness and [illegible] for your nutrition.

single-serving packages of corn-on-the-cob set the stage for a tempting array of new frozen product offerings scheduled for market in Fiscal 1988. Being introduced this summer are Pasta Accents™, pasta and vegetables blended together and coated with special sauces in portion-control polybag packages, and Garden Gourmet™ microwave vegetable combinations with rice or pasta. Each makes a great tasting side dish, or can be served as a meal in itself.

The fresh vegetable market, which accounts for three-quarters of all vegetable sales in the U.S., offers new potential for the Green Giant. Currently the only year-round supplier of asparagus, the Company also distributes fresh snow peas, broccoli, cauliflower and potatoes in limited markets, and is in test markets with branded salad mix and snack packs of assorted cut and trimmed vegetables.

etable Sales
Fiscal 1987 Sales Dollar



In many respects, Fiscal 1987 was a difficult year as heavy price competition in the volatile canned vegetable market penalized results. Still, overall operating profit reached a record level on a one percent increase in volume. The profit improvement came from potatoes, where the Pillsbury barrelhead is replacing the French's brand on a recently-acquired line of dehydrated specialty products, and in frozen vegetables, where Green Giant continues to improve its market share.

Introduction of microwaveable

Breads and Baking Products

Fiscal 1987 sales $[illegible] billion, down 1 percent

Dessert mixes and prepared dough are Pillsbury's heritage, and in Fiscal 1987 were among the highest contributors to operating profit as well. New products to revitalize the dessert mix segment, the sixth consecutive year of volume growth in fresh prepared dough products and a consolidation of flour milling operations highlighted the year.

The Company improved its market share position in the dessert and baking mix category as volume rose by five percent. The Pillsbury Microwave Cake Mix, in three flavors, sold 20 million packages in its first nine months and is an example of technical innovation meeting the lifestyle needs of today's on-the-go consumers.

With superior quality and a box-to-table time of just ten minutes, the specially formulated mix restores freshly baked cakes as a dessert option for many busy households.

Another sweet success in three flavors, The Ultimate Brownie, [illegible] the Company's volume in the [illegible] brownie category by 15 percent [illegible] helped [illegible] market share [illegible] points. A microwave [illegible]

[illegible]

[illegible]

Led by three crisp crust microwave pizzas – Pillsbury French Bread Pizza, Pillsbury Microwave Pizza and Totino's Microwave Pizza – the Company's microwave business continued its excellent growth in Fiscal 1987. Classic™ Casseroles, high quality single-dish meals with flaky pastry crusts, generated good initial-year sales. Microwave Popcorn and Pancakes, Pillsbury's pioneer products in the microwave field, also posted sales increases, but lost some market share to new competition.

Van de Kamp's introduced the nation's first microwaveable fish fillets and sold more than three million packages in the first four months. Microwave Fish Sticks will be introduced this summer. By bringing microwave convenience to the ocean's choicest catches, Van de Kamp's is broadening its consumer appeal and rapidly gaining market share.

Although the total market for frozen fish experienced little growth in Fiscal 1987, Van de Kamp's posted an 11 percent volume growth on top of a nine percent increase in Fiscal 1986. It is now the market's leading brand in the 80 percent of the country where it is available. However, advertising and marketing support to achieve those gains at a time of rapidly rising fish costs squeezed profit margins.

In Toaster™ branded products, Toaster Muffins™ breakfast muffins delivered high first year sales, but Toaster Strudel™, which has been on the market for three years, was a disappointment. Instead of becoming a breakfast mainstay, Strudel has become an occasional treat for a loyal, but limited consumer base. Accordingly, marketing plans have been scaled back.

Ice Cream

Fiscal 1987 sales $174 million, up 11 percent

Häagen-Dazs, the world's best known luxury ice cream, is truly one of the premium brands in the Pillsbury portfolio. Backed by a reputation for uncompromising quality and innovative new products, its strategies are in place and are working. But, the cost of achieving that position in Fiscal 1987 was high.

Three strategic decisions – to implement stringent new quality control standards, to significantly expand distribution through Company-owned facilities, and to pursue a plan to revitalize the Shoppes' business – sharply reduced profits and will adversely impact Fiscal 1988 as well. These decisions, however, will enhance the Company's position for long-term growth.

Volume increased 11 percent with the national rollout of the Häagen-Dazs Ice Cream Bar, a premium adult dessert treat coated with Belgian chocolate. Fifty-five million of the four-ounce bars were sold during the year.

Although Häagen-Dazs has always maintained the highest health and quality standards, some ice cream producers have faced extensive product recalls in recent years. Believing it essential to protect its brand image, Häagen-Dazs undertook a voluntary, but costly program to totally upgrade its manufacturing facilities and testing procedures to prevent any such incident.

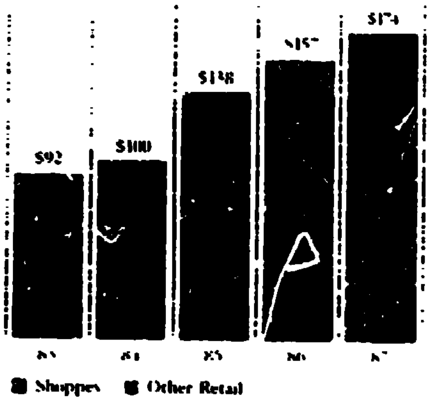
To further control product quality, while improving shelf space and marketing support, the Company distributes its products directly to retail stores rather than through frozen food warehouses. The Company revitalized its network of independent distributors during the year and doubled

its share of volume moving through Company distribution centers to nearly 30 percent.

While profitability in the 300 franchisee-owned Shoppes continues to be a problem, volume stabilized for the first time in three years. Shoppes account for approximately ten percent of total Häagen-Dazs volume. As part of an effort to provide more flexibility and financial options for Shoppes' owners, Häagen-Dazs is offering to convert franchised operations in selected areas to a licensed basis.

At year-end, the Sedutto Ice Cream Corporation, a small producer of specialty ice cream products for the restaurant and food service industry in New York, was sold in order to concentrate solely on the Häagen-Dazs brand.

Häagen-Dazs U.S. Ice Cream Sales (Millions)



International Foods

Fiscal 1987 sales $554 million, up 28 percent.

Pillsbury significantly improved the scale and quality of its international operations in Fiscal 1987. Including operations of unconsolidated affiliated companies, total sales approached $800 million. Excellent results from almost all businesses and geographic areas generated ten percent volume growth and a significant increase in operating profit. Changes in the value of the U.S. dollar against foreign currencies accounted for about one third of the profit improvement.

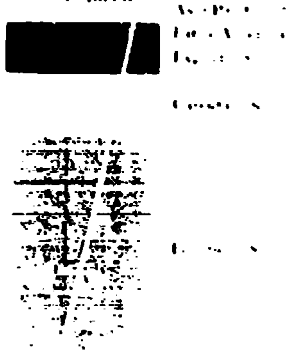
Acquisitions in France, Belgium and Spain and the completion of a program to restructure selected operations represented major steps in the implementation of an international strategy. That strategy is to build on existing businesses in the developed markets of Canada and Europe, expand in those product categories where the Company has global brands and expertise, namely baked goods, Green Giant vegetables and Häagen-Dazs ice cream, and pursue the long term potential for Pillsbury's technology in vegetables and flour based products in the developing economies of Latin America and the Asia Pacific region. The Company also exports a wide variety of products to more than 50 countries.

In Europe, the acquisition of two producers of ready-to-eat cakes in France and Belgium added important strength to the Company's Gringoire Brossard line of premium cookies and cakes. The acquisition of Chistu, Spain's leading producer of white asparagus, and the addition of production capacity for Green Giant canned corn in France further enhanced the Company's vegetable presence on the European continent.

European operations also benefited from the consolidation of two frozen foods companies in West Germany, improved volume and profit for Erasco, Germany's leading producer of canned dish ready meals, and good volume and profit improvement from Hammond's sauces in the United Kingdom. In May, the first Häagen-Dazs Ice Cream Shoppe opened in Europe in Cologne, West Germany.

Green Giant vegetables achieved record market shares in Canada, although operating profit was hurt by

International Food Sales
[illegible]



poor vegetable pack and disappointing results from the Brights and Martins apple juice business. Juice operations were consolidated and one plant was closed to improve operating efficiency. In June 1987, the Company acquired Fraser Valley Foods, a major producer of canned and frozen fruits and vegetables in British Columbia.

In Latin America, Pillsbury's flour and pasta businesses continued to set volume records in Venezuela and Jamaica. A joint venture in Mexico was dissolved by selling the Company's interest in a flour mill to its partner while acquiring the partner's interest in a growing pasta and cookie business.

Pillsbury's operations in Asia are conducted through joint ventures in order to benefit from the presence of strong local partners. While all operations had a strong year, the performance by Häagen-Dazs Japan, a joint venture with Suntory Limited, was exceptional. It completed its second year with a twofold increase in sales as the number of Ice Cream Shoppes doubled to 20 and supermarket penetration increased. The Company's half interest in ETA Foods of Australia was sold after its partner was acquired by a competing food producer.

Commodity Marketing

Fiscal 1987 sales $98 million, down 37 percent.

Despite continued problems in the farm economy, Pillsbury's two separate Commodity Marketing operations – Grain Merchandising and Feed Ingredients – turned in excellent performances. Operating profit and returns were among the best in the Company's history.

Recent restructuring in Grain Merchandising significantly reduced fixed assets, modernized grain storage facilities and eliminated marginal operations, resulting in one of the most efficient grain handling systems in the country. By being able to respond quickly to market opportunities, the Company handled in excess of 240 million bushels of grain, mostly corn and soybeans, during Fiscal 1987, and its 85 million bushels of storage space operated at near capacity.

The Company scaled back its operations in the bulk commodity business – the handling and river transportation of fertilizer and coal – as new capacity entering the market resulted in margin declines.

Stability characterized the Feed Ingredient business as strong demand from the poultry, hog, beef and dairy industries provided a balanced market for most processed feed products. The nation's largest merchandiser of processed feed ingredients, Pillsbury markets the by-products of its flour mills, spent grains from the brewing industry and other related products to meet this demand.

12.

Restaurants

Pillsbury's Restaurants Group is one of the industry's largest and most diversified, with excellent growth potential. Yet, its performance in Fiscal 1987 was less than satisfactory. Net sales increased four percent to $2.76 billion while systemwide sales, which include those of franchisees, rose 11 percent to $6 billion.

However, operating profit of $219 million fell 28 percent from the prior year's record, when a $41 million gain was recorded on the sale of Burger King real estate to a master limited partnership. Restructuring charges reduced Fiscal 1987 profits by $17 million. Excluding these unusual items, operating profit declined 15 percent. Pretax return on invested capital fell ten points to 18 percent.

Lower sales at the Steak and Ale dinnerhouse chain, heavy start-up costs associated with new concepts, primarily Quik Wok, higher operating costs at Distron, and substantially lower refranchising gains from the sale of Company-operated restaurants to Burger King franchisees were the principal reasons for the profit decline. Excluding the latter, Burger King USA reported a four percent increase in operating profit.

Bennigans, the nation's leading casual dining concept, Godfather's Pizza, and Burger King International also reported higher profits.

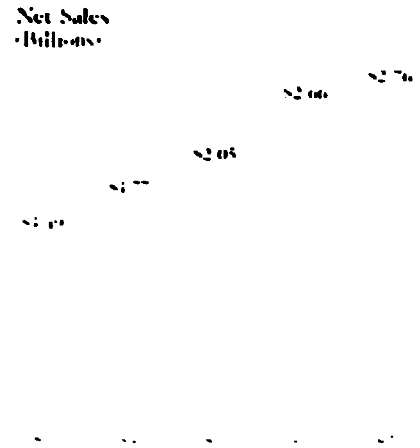
Although the restaurant industry in the United States has been hurt by over-expansion and a slowdown in the growth of consumer spending, basic trends remain intact, and it continues to exhibit excellent strength and vitality. Last year, consumers spent 41 percent of their total food dollars on food eaten or prepared away from home, up from 21 percent two decades ago. While quality, service and value

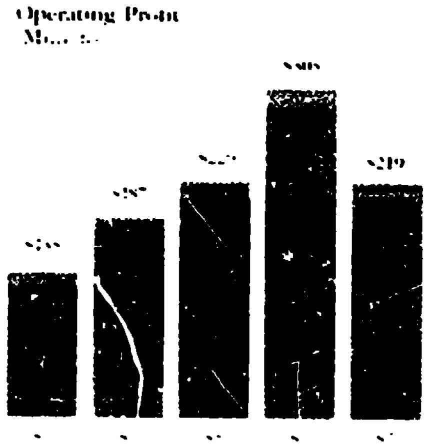
Charles S. Olcott, Herman Cain, J. Jeffrey Campbell, Kyle T. Craig

continue to be the keys to success, today's consumers are looking for these attributes in combination with great taste, convenience and fun places to eat. With more than 6,200 Company-operated and franchised restaurants spanning the fast food, casual dining and full service segments, Pillsbury is a leader in meeting the public's varied dining expectations.

To improve operating performance and returns, the Company is focusing on executing the basics of the business better, on improving productivity at both the restaurant and headquarters level, and on developing the synergies between its various restaurant concepts and its Foods Group in such areas as research, menu development and procurement. During the year, the Company's two restaurant divisions were joined to form a single Restaurants Group, new operating management was put in place in several concepts, including Burger King USA, and headquarters staffs were significantly reduced.

Losses on new concepts will be sharply reduced in Fiscal 1988 as expansion plans are slowed. In addition, the Company established a






BURGER KING
DOUBLE CHEESEBURGER

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New products added taste excitement, convenience and nutritional alternatives to the signature Whopper® sandwich and popular burger lines. Prepackaged Crisp & Ready-to-Go Salads in four varieties – shrimp, garden, chef and a smaller side salad – were undergoing widespread testing at year-end as portable alternatives to the traditional salad bar. Burger Bundles™, mini-cheeseburgers served three to a package, received excellent consumer response during an extensive market test, and are being promoted nationally this summer.

With Chicken Tenders™, 100 percent breast of chicken pieces introduced a year ago, and a top selling chicken sandwich, chicken now accounts for 11 percent of total sales. French Toast Sticks, a new breakfast finger food, helped lift breakfast sales to a similar 11 percent share.

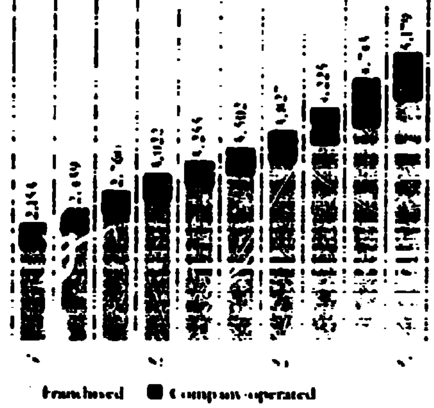
The public's quest for convenience is illustrated by the fact that more than 45 percent of all sales are now made at the Drive Thru window and another 20 percent are take-out orders. Today's on-the-go lifestyle is prompting major changes in the way the Company looks at new products, new restaurants and new sites. At year-end, nearly 200 Burger King restaurants were located at such unconventional sites as food courts, airports, zoos and hospitals, as well as on Army and Air Force bases. Twenty-one mobile Burger King Express units serve special locations such as fairs, beaches, college campuses and ball games.

Burger King International continued its profitable growth as a record 79 new restaurants were opened during the year, bringing the total to 478. The Company acquired its high-volume Paris franchisee, where the Champs Elysees store set a system sales

d product give-aways. Burger King sought to compete in terms of quality and value. The superior taste of a flame-broiled hamburger garnished your way, and increased emphasis on speed of service and order accuracy remain the most successful weapons in the battle for consumer loyalty and sales growth.

A new advertising campaign, "The Best Food for Fast Times™," as a succinct statement of its total marketing focus, and an advertising budget which exceeded $200 million combined to give Burger King strong media awareness during the year.

Burger King Restaurants
(Units Open as of May 31)



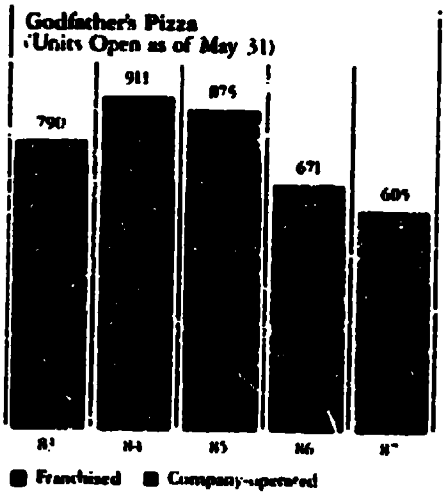
record of $5.7 million during the year. In addition, the Company opened highly visible restaurants at London's Gatwick airport and Munich's Hauptbahnhof railway station and, with the opening of its first freestanding units in Europe, introduced Drive Thru convenience to the United Kingdom and Germany.

Worldwide, 42 new Company-operated restaurants were opened during the year, down from 77 a year earlier. Franchisees added 431 new restaurants, nearly equal to their record pace of Fiscal 1986. As part of an ongoing asset management program, the Company refranchised 86 restaurant operations during the year, sold 36 restaurant properties to franchisees and acquired 16 other restaurants from franchisees. Frequently, the Company sells established restaurant operations as part of a seeding program to build a strong franchisee base in a particular location. In Fiscal 1986, 204 Company-operated restaurants were refranchised.

At year-end, the Company operated 794 restaurants, or 15 percent of the system, compared with 838 restaurants and 18 percent of the system a year earlier. Store operating profit at these restaurants increased slightly to 15.6 percent of sales.

As the employer, with its franchisees, of nearly 270,000 crew members and managers in the U.S., the Company has both an economic incentive and moral responsibility to become a preferred employer. This responsibility is heightened by the number of restaurant employees who are teenagers taking their first job or are members of minority groups.

A Crew Educational Assistance Program, with scholarships of up to $2,000 for post-secondary education, provided benefits to nearly 3,000 crew



members at a cost of $1.3 million in Fiscal 1987. Introduced two years ago at Company stores, the Program has had a major impact on reducing crew turnover – participants have only one-third the turnover rate of other employees – while improving store operating profit and employee loyalty.

Distron, the Burger King distribution and procurement division, achieved its first $1 billion sales year, but profits slipped as its penetration of the franchise system declined slightly and the costs of a new computerized inventory control system were absorbed. Volume rose six percent, half of it from the addition of business at Godfather's Pizza.

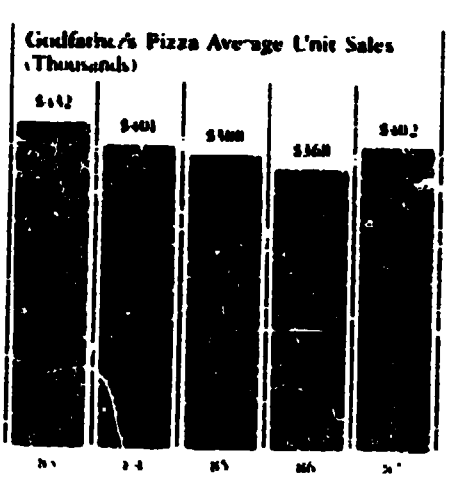
Godfather's Pizza, which was acquired two years ago as part of the Diversifoods acquisition, staged a remarkable recovery in Fiscal 1987. Against stiff competition, the 605-unit chain reversed a steep, three-year decline in sales and posted its first operating profit since 1984. New products and home delivery contributed to this success, but the turnaround was primarily due to strong leadership and a rejuvenated management team.

With an infusion of top talent from Burger King and Pillsbury, management moved decisively to correct the problems of the past. Unprofitable stores were closed, lawsuits with former franchisees were resolved, 45 franchised stores were purchased by the Company, and attention once again was placed on the basics of the business. Advertising supplemented couponing as a way of building sales.

Although systemwide sales declined slightly to $261 million as the number of restaurants was reduced by eight percent, average sales per restaurant rose nine percent to $402,000 for the year. Average sales at the 194 Company-operated restaurants neared the half million dollar mark and store operating profit rose more than four points to 15.5 percent of sales.

Hot Slice™, served at lunch in three minutes, guaranteed, and Stuffed Pie Pizza™, a savory double-crusted meal, have been big new product successes.

Home delivery has been the fastest growing segment of the pizza industry, and Godfather's Pizza is participating in this growth. In the Seattle-Tacoma area, the Company's largest market, a widely-advertised



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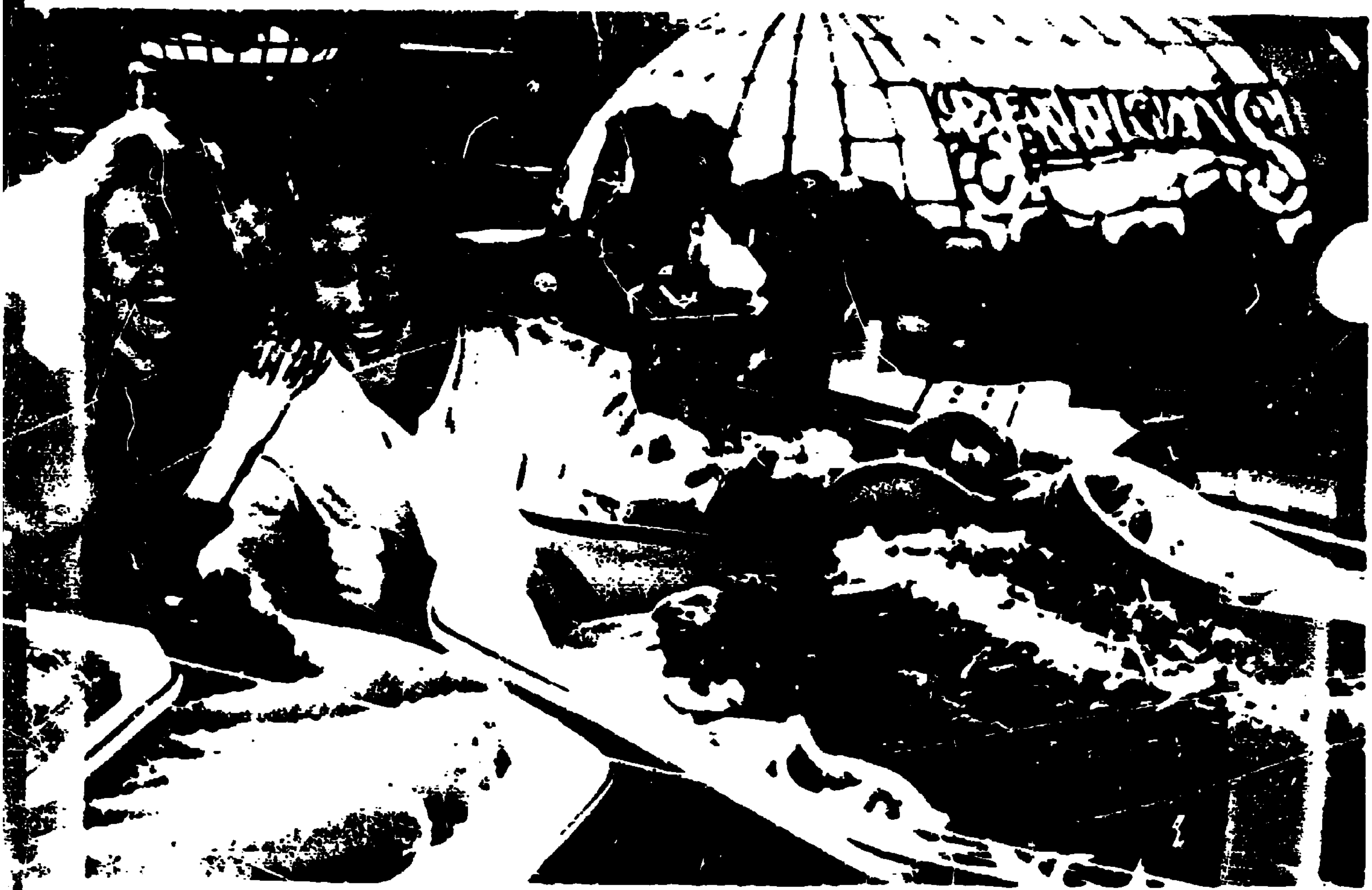


profit declined to 16.8 percent of sales, Steak and Ale retains a loyal customer base because of its quality steaks, prime rib and filets, abundant salad bar, comfortable atmosphere and good service. Steak and Ale is seeking to build on those strengths as it develops plans to revitalize the chain.

Bay Street doubled its size to 14 restaurants as it brought the casual elegance of a spacious wharfside dinnerhouse to new markets in New Jersey, Florida and Chicago. These markets have outperformed the original Bay Street units in Dallas and Atlanta, enabling the chain to achieve average restaurant sales of $2 million for the year. By offering a variety of fish, shrimp and shellfish cooked to order, with fresh vegetables, tempting appetizers and an outstanding wine selection, Bay Street appeals to a discriminating audience that appreciates healthy, lighter fare.

Mesquite-grilled seafood, chicken and baby back ribs, as well as such specialties as conch fritters and Key lime pie are featured at the new Key West Grill. The first restaurant opened in Clearwater, Florida, in September, and recorded $2 million in sales in eight months. A second opened in Arlington, Texas, in April and is performing well ahead of expectations.

In an effort to evaluate the hotel food service business, S&A joined with Embassy Suites to open five restaurants during the year. Providing all food and beverage service, including restaurant, room service, catering and lounge, the new venture has the potential to leverage S&A's restaurant skills for good returns with a limited capital investment.

Pillsbury's mission, as illustrated on the inside front cover of this report, is to be the best food company in the world. That embodies a commitment to rapid growth and superior financial performance in order to enhance shareholder wealth. But, it also poses a responsibility to adhere to the highest ethical standards, to acknowledge and reward the contribution of its 105,000 employees and to accept an active role in improving the quality of life in the communities it shares.

Fiscal 1987 was not an easy year to labor under the mantle of being the best. Operating performance and profits slipped in key areas. The Company undertook a number of steps to increase productivity and eliminate underperforming assets – some that included closing facilities and eliminating jobs. In every case, the Company provided special assistance to help minimize the impact on employees, their families and the communities. At the same time, the Company rededicated its efforts to see that the best people are hired, motivated and advanced.

To meet its responsibilities as a corporate citizen, the Company increased its charitable contributions by five percent to $7.5 million and donated almost five and one-half million pounds of Pillsbury product seconds to food banks nationwide. As one of the nation's leading food companies and one of the largest employers of young people, the Company has focused its grants in the areas of hunger and youth.

The Washington-based Food Research and Action Center received support to establish school breakfast programs in low income areas, while Harvard University's Physician Task Force on Hunger in America was supported in its study of the effect of low-level malnutrition on the health of children and pregnant women. In the Twin Cities of Minneapolis and St. Paul, the Company also helped expand FareSHARE, a low-cost food buying program for the working poor and low income senior citizens, and the Company's S&A Restaurant Corp. subsidiary helped initiate support of food bank programs in Atlanta, Dallas, Houston and Tampa.

For the third year, Pillsbury provided a cash donation and the technical expertise of its employees for an applied nutrition program in Bolivia. Improved processing techniques for indigenous crops and the development of a solar box cooker, which could be replicated in other underdeveloped countries, are among its projects.

To help disadvantaged young people, the Quest National Center received support to create a career curriculum and mentor program for ninth and tenth graders. In Minnesota, a 4-H grant will create a model career development program for rural youth.

Education, which received 45 percent of Pillsbury's contributions, was highlighted by a grant to permanently endow The Pillsbury Company-Paul S. Gerot Chair of Marketing at the University of Minnesota, in honor of the Company's former chairman. In Honor of Excellence, a Burger King-sponsored symposium, brought together 50 outstanding teachers and 50 principals from across the U.S. to discuss educational challenges.

In addition, hundreds of employees distinguished themselves in local volunteer projects. In Santa Fe Springs, California, for instance, Van de Kamp's employees devoted a Saturday to prepare frozen enchiladas for the Los Angeles Regional Food Bank.


NE B-4

In order to enhance shareholder wealth through a combination of rising dividends and market appreciation for its common stock, Pillsbury strives to be a superior performer in terms of the rate of growth and predictability of its earnings and the returns generated from the utilization of shareholder funds. Specifically, the Company seeks to:

- Achieve annual growth in earnings per share averaging 10 to 15 percent over time.
- Achieve and maintain a return on shareholders' equity (ROE) of 18 percent with an after-tax return on invested capital (RIC) of at least 13 percent.
- Retain the financing flexibility of an "A" credit rating with a long-term debt-to-total capital ratio of approximately 40 percent.

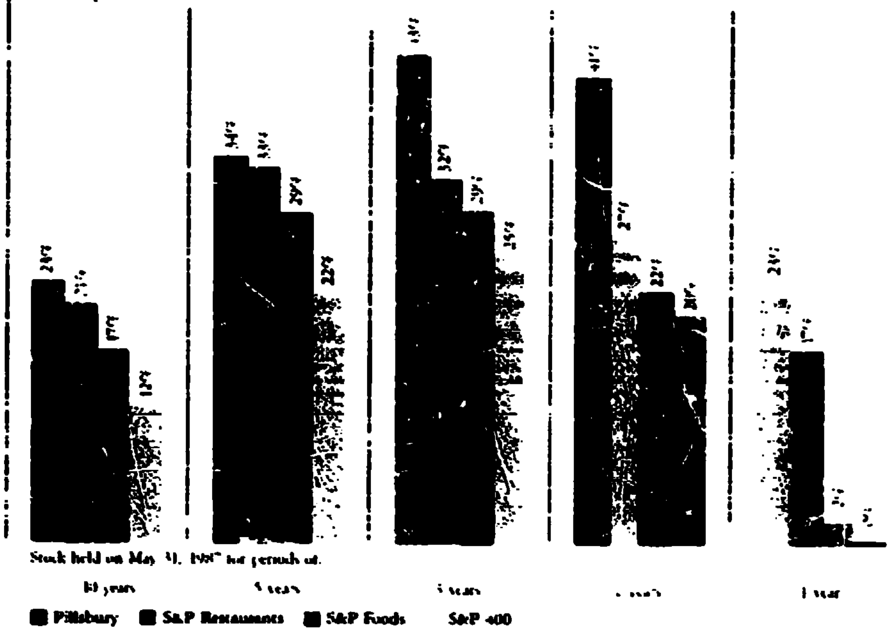
These objectives guide the Company's long-term strategy, as well as the development of its near-term business plans. Although the Company did not achieve its objectives in Fiscal 1987, it believes that they are reasonable targets which can be achieved by a balanced mix of leading Foods and Restaurants businesses. The earnings per share objective was broadened during Fiscal 1987 to reflect today's lower inflationary environment.

A difficult restaurant environment, the retroactive loss of investment tax credits under the new tax act, and restructuring charges designed to improve earnings performance and returns in coming years combined to depress results for Fiscal 1987. Against its stated objectives, the Company:

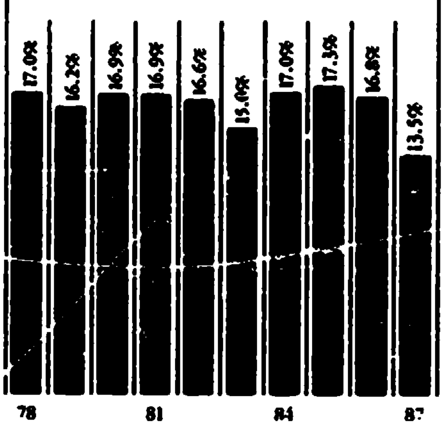
- Posted a 12 percent decline in earnings per share. Excluding gains on asset sales and restructuring charges, earnings from operations rose slightly to $2.24 per share from $2.21. Over the past decade, net earnings have grown at a compound rate of 11 percent per year, and earnings per share have grown at [illegible] percent.
- Achieved an ROE of 13.5 percent and an after-tax RIC of 10.1 percent. These represent the lowest returns in more than a decade and reflect lower earnings at a time when the Company is assimilating several recent acquisitions. As a result of record expenditures for investments and acquisitions over the past three years, invested capital has increased nearly 45 percent. Over the past ten years, ROE and RIC have averaged 16.3 percent and 11.6 percent, respectively.
- Maintained its "A" credit rating as long-term debt-to-total capital decreased slightly to 42 percent from the high of 43.8 percent in Fiscal 1986.

After years of superior performance, the Company's total return to shareholders for the year was, essentially zero, as its year-end stock price declined by three percent from a year earlier – the first such drop in seven years. Dividends, however, were increased 15 percent to 97 cents per share, making Fiscal 1987 the 29th consecutive year that the Company paid higher dividends. Assuming reinvestment of dividends, Pillsbury's long-term shareholders have done very well, with compound total annual returns of 34 percent over the past five years and 21 percent over ten years. Those returns compare favorably with investments in competitor companies and in the stock market as a whole, as measured by Standard & Poor's index of food, restaurant and industrial companies.

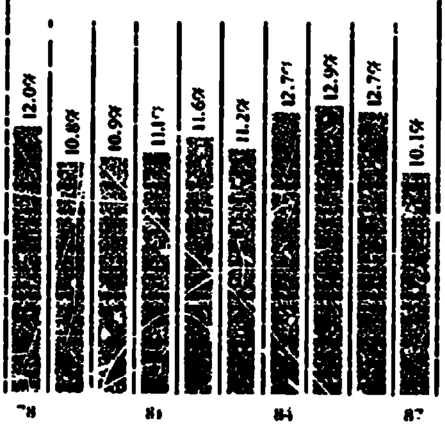
Total Return to Shareholders
(Compound Annual Return)



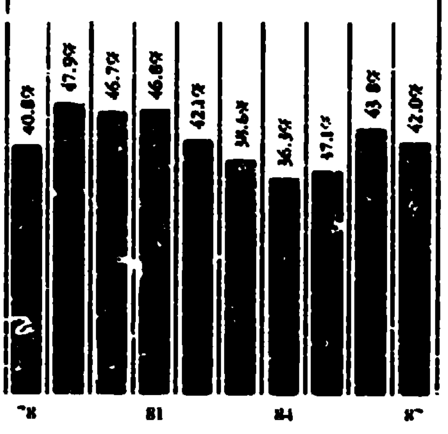
Return on Equity



Return on Invested Capital



Long-Term Debt-to-Total Capital



Financial Statement Responsibility

Pillsbury management is responsible for the preparation, presentation, objectivity and integrity of the financial statements and related financial information contained in this report. The financial statements have been prepared in accordance with generally accepted accounting principles and all financial information is consistent with such statements.

The Company and its subsidiaries develop and maintain internal financial control systems and procedures which provide reasonable assurance that assets are adequately safeguarded, prescribed policies are effectively pursued and transactions are properly recorded. A comprehensive program of internal audits provides management with a review and monitoring process which augments the system of internal financial controls.

Accountants' Report

Minneapolis, Minnesota
June 24, 1987

Shareholders and Board of Directors
The Pillsbury Company

We have examined the consolidated balance sheets of The Pillsbury Company and Subsidiaries as of May 31, 1987 and 1986, and the related statements of earnings and changes in financial position for each of the three years in the period ended May 31, 1987. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above (pages 26, 28, 30, and 34 to 42) present fairly the financial position of The Pillsbury Company and Subsidiaries at May 31, 1987 and 1986, and the results of their operations and the changes in their financial position for each of the three years in the period ended May 31, 1987, in conformity with generally accepted accounting principles consistently applied during the period except for the change in 1986, with which we concur, in the method of accounting for pensions as described in Note 17 to the consolidated financial statements.

Touche Ross & Co.
Touche Ross & Co.

Certified Public Accountants

The Pillsbury Company and Subsidiaries
Consolidated Statement of Earnings

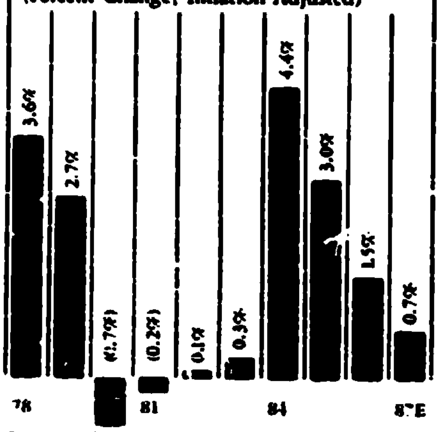
	Year ended May 31		
	1987	1986	1985
	(In millions except per share amounts)		
Net sales	$6,127.8	$5,847.9	$4,843.4
Costs and expenses:			
Cost of sales	4,292.2	4,102.6	3,465.5
Selling, general and administrative expenses	1,387.5	1,270.9	984.7
Interest expense, net	95.6	97.3	53.0
	5,775.3	5,470.8	4,503.2
Earnings before taxes on income	352.5	377.1	340.2
Taxes on income	170.6	169.0	148.4
Net earnings	$ 181.9	$ 208.1	$ 191.8
Average number of shares outstanding	86.7	87.3	85.8
Earnings per share	$ 2.10	$ 2.38	$ 2.24

Notes to Consolidated Financial Statements are an integral part of this statement.

Through internal development and acquisitions, Pillsbury has achieved a record of 31 consecutive years of sales growth, with a compound annual growth rate of 14 percent over the past decade. In Fiscal 1987, sales topped $6 billion for the first time. Net earnings have risen 11 percent per year on average over the past decade, but declined 13 percent during the past year as restructuring charges, higher taxes and poor Restaurants performance detracted from an excellent year in Foods.

SALES rose 5 percent following a 21 percent increase in Fiscal 1986 when several large acquisitions were completed. Over the two years, sales increased more than $1.28 billion. Two major economic trends in the United States have influenced sales in recent years – the low level of inflation and a slowdown in the growth rate for per capita disposable income, a significant determinant of restaurant sales. In this environment, the Company raised prices by an average of only 2 percent in each of the past two years.

Per Capita Disposable Income (Percent Change, Inflation Adjusted)



Source: U.S. Department of Commerce (1978-1986)

COSTS AND EXPENSES have been influenced by the Company's growth, by the economy and by management's efforts to improve productivity. Because most ingredient costs, with the exception of fish, beef and pork, have declined over the past two years, the cost of sales has increased at a slower pace than net sales. As a result, the Company's gross margin increased to 30 percent of sales in Fiscal 1987 from an average of 28 percent over the past decade. In Fiscal 1987, the gross margin in Foods rose one point to 36 percent of sales, while in Restaurants, it declined a point to 22 percent of sales.

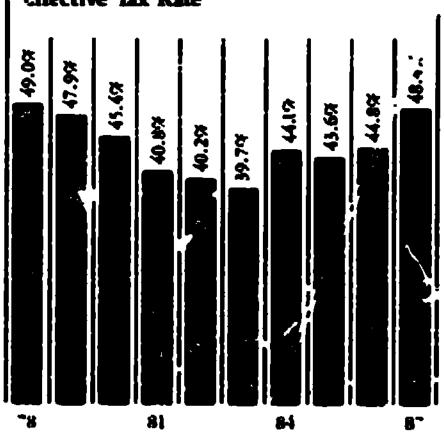
Selling, general and administrative (SG&A) costs increased to 23 percent of sales from 20 percent two years ago. Higher advertising and promotional spending, particularly in Fiscal 1986, the cost of new product introductions and concept development in Restaurants, and one-time charges to restructure portions of the business account for the increase. SG&A costs for Restaurants are considerably lower than for Foods because the Company's largest restaurant concept, Burger King, is predominantly operated by franchisees. Advertising and sales promotion, for instance, represented 16 percent of Foods sales, but only 3 percent of Restaurants sales as Burger King franchisees pay their own share of advertising costs.

Interest expense declined 2 percent in Fiscal 1987, but was 80 percent higher than in Fiscal 1985, reflecting financing charges associated with recent acquisitions.

EARNINGS BEFORE TAXES ON INCOME declined 7 percent after having risen 11 percent in Fiscal 1986. Excluding restructuring charges in Fiscal 1987 and a gain on asset sales in Fiscal 1986, pretax earnings rose 6 percent to $381 million from $360 million. Excluding unusual items, operating profit for Foods increased nearly one percentage point to 7.9 percent of sales, while Restaurants profit declined almost two points to 8.5 percent.

TAXES ON INCOME reflected an effective tax rate of 48.4 percent in Fiscal 1987, one of the highest in a decade, compared with 44.8 percent in Fiscal 1986 and 43.6 percent in Fiscal 1985. The increase was due primarily to the loss of investment tax credits retroactive to January 1, 1986 under the Federal Tax Reform Act of 1986. Although the new tax law adversely impacted Fiscal 1987, it will benefit future years through a sizable reduction in the tax rate effective July 1, 1987.

Effective Tax Rate



NET EARNINGS declined to 3 percent of sales from 3.6 percent and 4 percent in the two prior years. Unusual items reduced net earnings by $11.9 million, while they benefited the prior years by $14.9 million and $15.7 million, respectively. Excluding those items, net earnings increased slightly for the year and rose 10 percent from Fiscal 1985.

AVERAGE SHARES OUTSTANDING were reduced 1 percent through stock purchases to cover employee benefit plan requirements. As a result, earnings per share declined slightly less than the decline in net earnings.

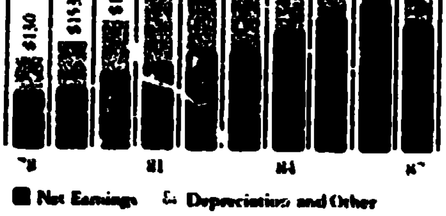
The Pillsbury Company and Subsidiaries
Consolidated Statement of Changes in Financial Position

	Year ended May 31		
	1987	1986	1985
		(In millions)	
Funds from operations:			
Net earnings	$ 181.9	$ 208.1	$ 191.8
Charges to income not requiring working capital:			
Depreciation	197.6	175.3	133.9
Amortization of intangibles and other assets	23.9	20.2	8.8
Deferred taxes on income	54.0	28.9	26.1
	457.4	432.5	360.6
Funds from (used for) changes in working capital employed:			
(Increase) decrease in receivables	(30.0)	(109.2)	(27.7)
(Increase) decrease in inventories	(82.0)	(57.4)	7.4
(Increase) decrease in other current assets	(18.3)	(34.2)	87.8
Increase (decrease) in accounts and drafts payable	107.1	166.4	(22.0)
Increase (decrease) in advances on sales	22.3	57.0	(101.6)
Increase (decrease) in taxes on income	(49.8)	21.4	11.9
Increase (decrease) in other current liabilities	4.9	124.5	28.9
	(45.8)	168.5	(15.3)
Funds from conversion of noncurrent assets:			
Disposals of property, plant and equipment	73.4	125.3	33.1
Proceeds from sale of notes with recourse	8.1	24.2	22.3
Proceeds from disposal of other assets	20.9	134.6	21.9
Other, net	26.2	21.5	11.5
	128.6	305.6	88.8
Total funds generated internally	540.2	906.6	434.1
Funds utilized for investment activities:			
Capital expenditures	(320.6)	(308.5)	(327.1)
Additions to other noncurrent assets	(25.7)	(51.8)	(78.0)
Noncurrent assets of acquired companies:			
Property, plant and equipment	(27.1)	(333.1)	(67.6)
Intangibles	(26.1)	(272.9)	(86.6)
Other assets		(151.3)	
	(399.5)	(1,117.6)	(559.3)
Net funds generated (used) before financing activities	140.7	(211.0)	(125.2)
Funds from (used for) financing activities:			
Issuance of long-term debt	121.5	454.5	219.3
Long-term debt of acquired companies	11.1	155.3	5.2
Retirement of long-term debt	(179.8)	(282.8)	(132.5)
Increase (decrease) in notes payable	29.8	10.8	(6.0)
Income tax cash flows from tax lease	(21.4)	(15.0)	17.0
Issuance (purchase) of common stock, net	(34.4)	(2.0)	5.2
Cash dividends	(83.3)	(73.0)	(65.8)
	(156.5)	247.8	42.4
Increase (decrease) in cash and equivalents	$ (15.8)	$ 36.8	$ (82.8)

Notes to Consolidated Financial Statements are an integral part of this statement.

Over the past three years, Pillsbury has invested $2.08 billion, increasing total invested capital by 45 percent, to build and diversify its Foods and Restaurants businesses. While Fiscal 1986 and 1985 were years of major expansion, Fiscal 1987 was a year of modest growth and consolidation of past investments. With strong cash flow from operations supplemented by funds from the disposal of underperforming assets, the Company was able to finance its capital and acquisition program, increase dividends to shareholders and reduce long-term debt by $28 million.

FUNDS FROM OPERATIONS increased 6 percent to $457 million despite a 13 percent decline in net earnings. Depreciation and amortization on the Company's expanded asset base exceeded net earnings for the first time. Deferred taxes also increased significantly due to timing differences in depreciation and amortization of recently acquired assets. Over the past three years, the Company has generated $1.25 billion in funds from operations, including $582 million from net earnings. This has funded 60 percent of its investment spending over the period.

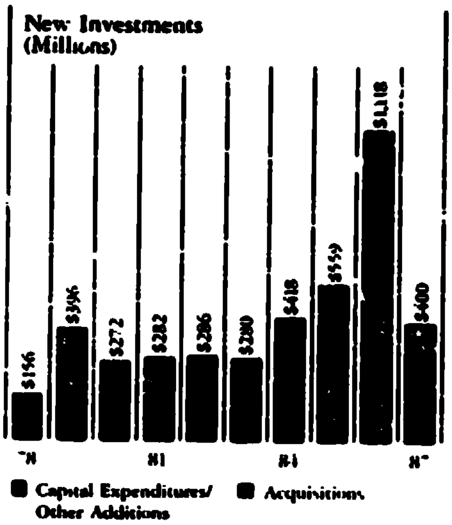


WORKING CAPITAL EMPLOYED required an additional $46 million in Fiscal 1987, after a significant reduction the year before. Higher inventories were primarily responsible.

FUNDS FROM CONVERSION OF ASSETS represent a key aspect of Pillsbury's financial strength, as the Company's strategy embodies the sale or conversion of inefficient properties and businesses which no longer meet its growth objectives. During the year, $129 million was generated from the sale of a business interest in Australia, a flour mill in Kansas and a number of low-returning restaurant properties. In Fiscal 1986, more than $300 million was raised, primarily through the sale of Burger King real estate to a master limited partnership, the sale of the 54-unit Chart House restaurant chain, which had been acquired with Diversifoods, and the sale of 204 established Burger King stores to franchisees.

FUNDS GENERATED INTERNALLY from operations, asset sales and changes in working capital have met 90 percent of Pillsbury's investment needs since the beginning of Fiscal 1985 and, in Fiscal 1987, exceeded investment spending by $141 million.

INVESTMENT ACTIVITIES include internal investments, principally capital expenditures needed to modernize facilities, expand production and build new restaurants, as well as acquisitions to diversify or complement existing businesses or enter new strategic markets. Investment spending of $400 million in Fiscal 1987 was the lowest in four years and compared with a record $1.12 billion in Fiscal 1986 when Diversifoods, a restaurant holding company, and Jeno's, a manufacturer of frozen pizza, were acquired. Acquisitions in Fiscal 1987 included previously franchised Burger King operations in the U.S. and Europe, the buyout of a large Godfather's Pizza franchisee, and several Foods operations in Europe. During the year, 60 percent of total investment spending was for Restaurants versus 74 percent in Fiscal 1986.



FINANCING ACTIVITIES include the issuance and retirement of debt, the payment of dividends and the repurchase of Pillsbury common stock to meet employee benefit plans. While Fiscal 1986 required the issuance or assumption of more than $600 million in debt, Pillsbury did little long-term financing in Fiscal 1987. Cash dividends were increased by $10 million, bringing to $222 million the funds paid to shareholders in the past three years. Long-term, Pillsbury seeks to pay out approximately one-third of its net earnings in annual cash dividends. While the actual payout has been higher than that in recent years, the payout over the past three years has averaged 18 percent of operating cash flow.

The Pillsbury Company and Subsidiaries
Consolidated Balance Sheet

	May 31 1987	May 31 1986
	(In millions)	
Assets		
Current assets:		
Cash and equivalents	$ 80.7	$ 96.5
Receivables	522.7	492.7
Inventories	572.2	490.2
Advances on purchases	15.0	30.0
Prepaid expenses	83.0	49.7
Total current assets	1,273.6	1,159.1
Property, plant and equipment	1,834.7	1,763.2
Net investment in direct financing leases	200.0	193.3
Intangibles	436.8	421.6
Other assets	108.0	121.6
	$3,853.1	$3,658.8
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	$ 51.9	$ 22.1
Long-term debt, current portion	44.9	52.1
Accounts and drafts payable	620.7	513.6
Advances on sales	113.7	91.4
Employee compensation	121.7	118.6
Taxes on income		49.8
Other liabilities	289.7	287.9
Total current liabilities	1,242.6	1,135.5
Long-term debt, noncurrent portion	951.8	972.9
Deferred taxes on income	235.4	202.5
Other deferrals	44.4	33.7
Shareholders' equity:		
Preferred stock, without par value, authorized 500,000 shares, no shares issued		
Common stock, without par value, authorized 200,000,000 shares, issued 88,0[illegible]4,294 shares and 87,997,718 shares, respectively	370.4	325.2
Common stock in treasury at cost, 1,907,705 shares and 1,068,388 shares, respectively	(58.7)	(24.4)
Accumulated earnings	1,103.7	1,050.4
Accumulated foreign currency translation	(36.5)	(37.0)
Total shareholders' equity	1,378.9	1,314.2
	$3,853.1	$3,658.8

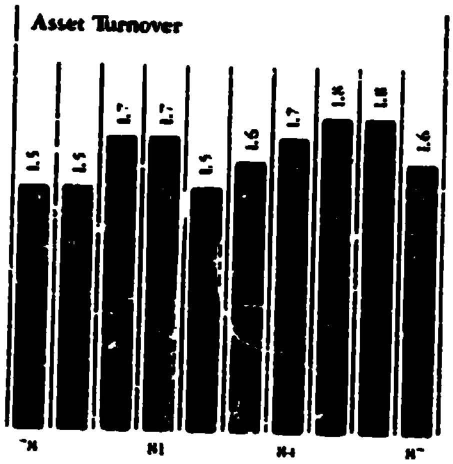
Notes to Consolidated Financial Statements are an integral part of this statement

Pillsbury's Balance Sheet reflects the significant leverage undertaken in Fiscal 1986 to accommodate the largest acquisition and capital spending program in the Company's history. Financial strength and flexibility improved in Fiscal 1987 as long-term debt was reduced 3 percent and shareholders' equity increased 5 percent.

CURRENT ASSETS rose 10 percent, while fixed assets grew by 4 percent. Although management strives to reduce working capital to the minimum level necessary to operate the business, several strategic decisions required increases in current assets during the year. Inventories rose 17 percent as the Company endeavored to become a year-round supplier of seasonal products, hedged against rising costs in some markets, and expanded a Company distribution network in Ice Cream. Prepaid expenses also rose as tax considerations favored the advance funding of certain employee benefits.

Despite these increases, the Company maintained a current ratio (of current assets to current liabilities) of 1-to-1 for the second year in a row. The current ratio has declined in recent years as the Company's business has shifted toward Restaurants which typically require few receivables and low inventories.

Asset turnover, a measure of sales in relation to total assets, declined to 1.6 from a high of 1.8 in each of the prior two years. In part, this reflects the slower growth in Restaurants sales at a time of rising construction costs. It also underscores management's decision to prune low-returning assets throughout the Company.



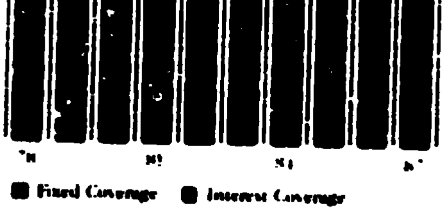
CURRENT LIABILITIES rose by 9 percent as trade accounts payable expanded to cover higher inventory levels, and as the Company utilized $30 million in commercial paper (included in notes payable) at year-end to meet short-term funding requirements.

LONG-TERM DEBT, including the current portion, declined to $997 million from $1.03 billion a year earlier. With higher cash flow and reduced new investments during the year, the Company took advantage of opportunities to restructure its debt by prepaying more than $110 million in high coupon notes and debentures. At year-end, long-term debt-to-total capitalization declined to 42 percent from 43.8 percent in Fiscal 1986.

DEFERRED TAXES increased 16 percent, primarily due to the use of accelerated depreciation for tax purposes. Future tax payments, however, may be substantially less as the Federal Tax Reform Act of 1986 reduces the rate at which those taxes are expected to be paid.

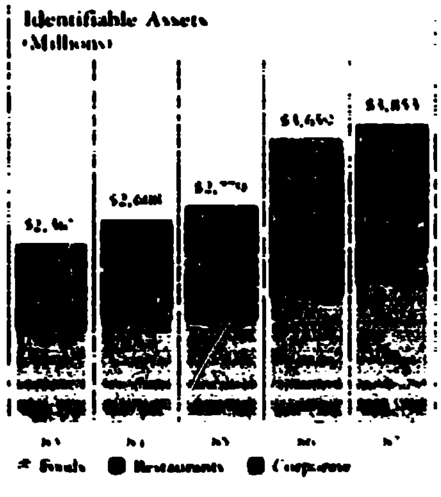
SHAREHOLDERS' EQUITY rose 5 percent during the year and has increased at a compound annual rate of 13 percent over the past decade, a rate which parallels the growth in sales.

LIQUIDITY, in management's judgment, remains adequate to meet future financing requirements. Although the Company's pretax fixed coverage ratio, which measures the ability to pay interest and rental charges, remained at 2.4 and pretax interest coverage declined to a ten-year low of 4.2, the Company has an "A" credit rating on both its long-term and short-term financing. With more than $500 million in various bank credit lines, strong cash flow from operations and the potential for further asset sales, the Company believes it has the ability to meet projected internal funding requirements, including capital expenditures of approximately $350 million in Fiscal 1988, as well as take advantage of other opportunities that might arise.



Pillsbury is a diversified international food company operating in the packaged consumer Foods and Restaurants segments of the industry. The Company's strategy is to stay in the foods business, to maintain a reasonable balance between Foods and Restaurants and to develop a diversified portfolio of well positioned consumer brands and restaurant concepts. By building on its technical, manufacturing and marketing strengths, the Company intends to grow through internal development and acquisitions, while improving returns by divesting low-return businesses and increasing productivity.

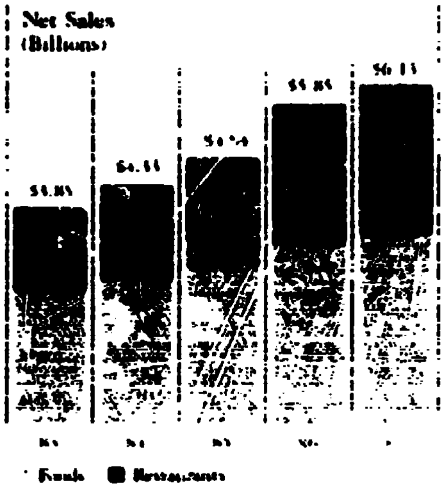
During the year, Foods contributed 55 percent of total sales and 53 percent of operating profit, and accounted for 17 percent of identifiable assets. While Foods has always generated more than half of total sales, Fiscal 1987 was the first time in four years that its operating profit exceeded that of Restaurants.



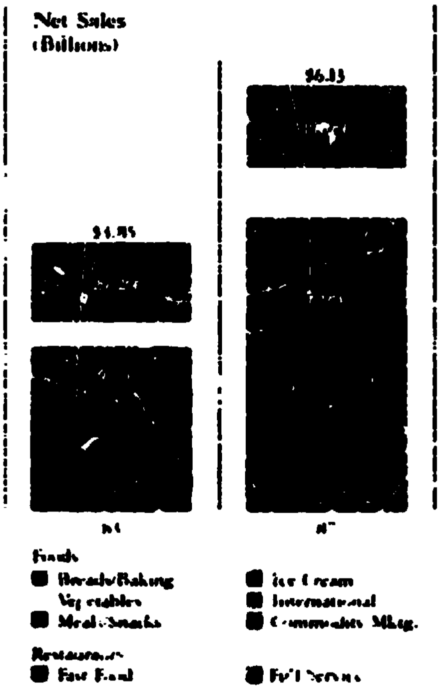
Pillsbury's growth in recent years has mirrored the rapid expansion of its Restaurants business. Supported by more than $1 billion in capital expenditures since Fiscal 1982 and another $500 million in acquisitions, Restaurants has grown twice as fast as Foods in terms of sales and 70 percent faster in terms of operating profit. Although that rate of growth slowed appreciably in Fiscal 1987 as Restaurants posted its first decline in operating profit, a number of steps were taken to restructure the business and remove underperforming assets.

The following summarizes the Company's results and activities for the past two years by business segment.

NET SALES of $6.13 billion were 5 percent higher than in Fiscal 1986 and 27 percent above those of Fiscal 1985. Restaurants sales grew 35 percent over the two years, adding $710 million to sales, while Foods expanded by 21 percent, increasing sales by $570 million.



Foods sales rose 6 percent in Fiscal 1987 on a similar increase in volume. Microwave products, ice cream, frozen fish, dessert and baking mixes and prepared dough products all contributed to the volume growth. During Fiscal 1986, volume grew by 16 percent, with half of the increase coming from the acquisition of vegetable and frozen pizza businesses. International Foods sales have grown by 50 percent in the past two years due to favorable foreign exchange rates, acquisitions in Europe and higher exports of U.S. products. Overall, Foods prices were flat in Fiscal 1987 and rose 1.1 percent in Fiscal 1986.



Restaurants sales rose 4 percent in Fiscal 1987 on top of a 30 percent increase in Fiscal 1986. More than half of the Fiscal 1986 increase was attributable to the acquisition of Diversifoods Inc., which operated or franchised nearly 1,000 Burger King and Godfather's Pizza restaurants. Over the past two years, Pillsbury has built 200 Company-operated restaurants – 120 Burger King, 30 Bennigan's and 13 Bay Street units representing the largest concepts. An additional 500 Burger King restaurants have been built by franchisees who pay 3.5 percent of gross sales as royalties. Most also buy food and supplies through Distron, the Company's procurement and distribution division. Burger King raised prices 2.7 percent at Company-operated restaurants on April 1, 1987, its first price increase in 16 months. Overall, higher prices accounted for about 3.5 percent of Restaurants sales in each of the past two years.

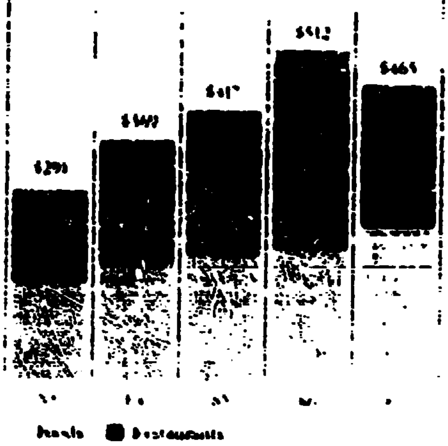
OPERATING PROFIT declined 9 percent during the year to $465 million, but was still 12 percent higher than in Fiscal 1985. Profit trends, however, were distorted by restructuring charges of $36 million in Fiscal 1987 and asset redeployment gains of $18 million and $22 million in the prior two years.

Restructuring charges in Fiscal 1987 included provisions for the sale, closure or consolidation of several Foods facilities, the conversion of selected Häagen-Dazs Ice Cream Shoppes from franchised to licensed operations, the sale of approximately 30 full service restaurants and staff reductions at Restaurants headquarters in Miami and Dallas. In Fiscal 1986, a gain on the sale of 128 franchised Burger King restaurant properties to a master limited partnership was partially offset by provisions to close the J.J. Muggs restaurant chain and restructure portions of the Foods business. Excluding these unusual items, operating profit of $501 million was up slightly from Fiscal 1986 and was $106 million, or 27 percent higher, than in Fiscal 1985.

Foods has had back-to-back years of exceptional profit growth. Operating profit rose 19 percent in Fiscal 1987 and has increased 25 percent in the past two years. Excluding restructuring charges and a gain in Fiscal 1985 from the sale of the Company's pasta business, operating profit has risen by more than 50 percent over the past two years. Much of that improvement is attributable to a turnaround in Commodity Marketing, which became a meaningful profit contributor in Fiscal 1987 after two successive years of losses. International operations also improved profits significantly. Low ingredient costs; several recent acquisitions; volume momentum, especially in new higher-margin products; and a stringent effort to improve productivity and reduce overhead costs all contributed to the profit growth. However, Ice Cream profits fell sharply in Fiscal 1987.

Operating profit for Restaurants fell 28 percent in Fiscal 1987 and was essentially unchanged from Fiscal 1985. Restructuring charges in Fiscal 1987 against a gain in the prior year from the sale of property to a master limited partnership accounted for more than half of the profit decline. Investment spending to develop new restaurant concepts, declines in earnings at Steak and Ale and Distron, and large prior-year refranchising gains at Burger King accounted for the remaining shortfall in profit. Store operating profit at Company-operated Burger King restaurants rose slightly for the first time in two years, while Bennigan's posted higher profits from unit growth.

Operating Profit (Millions)



GENERAL CORPORATE EXPENSE of $17.2 million in Fiscal 1987 was $20 million below that of Fiscal 1986 and $6 million below Fiscal 1985 expense. An $11 million gain on the sale of a joint venture in Australia was included in Fiscal 1987, while the previous year included abnormally high charges for insurance, improved management information systems and a corporate headquarters early retirement program. Management has undertaken a major effort to reduce corporate overhead and administrative costs throughout the Company and began to see the benefit of those efforts in the past year.

CAPITAL EXPENDITURES of $321 million were 1 percent higher than in Fiscal 1986, but did not quite reach the record of Fiscal 1985. Restaurants spending was reduced 13 percent to $195 million, the lowest level in four years. In an effort to improve returns on new investments, the Company temporarily reduced its expansion rate for new restaurants – adding one-third fewer units during the year than in the previous year. Restaurants spending in Fiscal 1988 is expected to be held at last year's level. Expenditures in Foods were increased 65 percent to a record $125 million as the Company upgraded its computer and research facilities, added production lines for the new Häagen-Dazs Ice Cream Bar and invested in technology to reduce costs and add capacity for new products.

Summary by Industry Segment

	Year ended May 31		
	1987	1986	1985
		(In millions)	
Net sales:			
Foods	$3,363.4	$3,184.7	$2,790.1
Restaurants	2,764.4	2,663.2	2,053.3
Total	6,127.8	5,847.9	4,843.4
Operating profit:			
Foods	246.1	206.9	196.6
Restaurants	219.2	304.7	220.0
Total	465.3	511.6	416.6
General corporate expense, net	(17.2)	(37.2)	(23.4)
Interest expense, net	(95.6)	(97.3)	[illegible]
Earnings before taxes on income	352.5	377.1	[illegible]40.2
Identifiable assets:			
Foods	1,821.5	1,659.9	1,345.8
Restaurants	1,875.3	1,841.1	1,316.1
Corporate	156.3	157.8	116.6
Total	3,853.1	3,658.8	2,778.5
Capital expenditures:			
Foods	124.7	75.5	81.7
Restaurants	195.3	225.3	240.2
Corporate	.6	7.7	5.2
Total	320.6	308.5	32[illegible] 1
Depreciation expense:			
Foods	81.4	68.9	56.[illegible]
Restaurants	113.1	99.9	[illegible]1.[illegible]
Corporate	3.1	6.5	5.5
Total	197.6	175.3	[illegible]3.9
Foreign operations included in the above categories are as follows:			
Net sales	617.4	481.2	401.2
Operating profit	28.3	29.1	22.[illegible]
Identifiable assets	402.8	347.0	264.1
Capital expenditures	53.4	30.8	17.4
Depreciation expense	[illegible]7.2	11.7	10.7

Effective June 1, 1986, the Company combined its downsized Commodity Marketing segment with Consumer Foods to form the Foods segment. Prior years' amounts have been reclassified to conform to the Fiscal 1987 segment presentation.

Operating profit of reportable segments represents net sales less operating expenses. Operating expenses include gain or loss on disposal of, or provision for writedown of, identifiable assets as well as all other expenses related to segment operations. General corporate expense includes unallocated corporate items and equity in net earnings (losses) of unconsolidated affiliates. Foreign operations exclude export sales. See footnotes to Summary by Quarter on the following page.

Summary by Quarter (Unaudited)

	Net sales	Gross margin	Earnings before taxes on income	Net earnings	Per share* Net earnings	Per share* Cash dividends	Market price High	Market price Low	Market price Close
	(In millions)								
Fiscal 1987:									
First quarter	$1,382.8	$ 397.1	$ 92.1	$ 47.9	$ .55	$.215	$41¼	$34¼	$36¾
Second quarter	1,688.4	533.4	113.3	53.9	.62	.250	38½	32⅜	38⅛
Third quarter(a)	1,526.9	451.0	93.6	48.5	.56	.250	45⅛	33⅛	43⅞
Fourth quarter(b)	1,529.7	454.1	53.5	31.6	.37	.250	46⅛	35⅞	38¾
Annual	6,127.8	1,835.6	352.5	181.9	2.10	.965			
Fiscal 1986:									
First quarter	1,263.3	347.1	82.3	44.2	.51	.195	28⅜	24	25⅞
Second quarter	1,583.0	482.1	105.1	56.6	.65	.215	31¾	25⅝	30½
Third quarter(c)	1,456.7	430.9	92.5	55.4	.63	.215	35½	29¼	34⅝
Fourth quarter(d)	1,544.9	485.2	97.2	51.9	.59	.215	40⅜	32⅞	40⅛
Annual	5,847.9	1,745.3	377.1	208.1	2.38	.840			
Fiscal 1985:									
First quarter	1,057.1	278.8	70.8	38.9	.45	.175	20¼	17¼	19
Second quarter(e)	1,304.0	387.5	113.0	66.1	.76	.195	22⅜	18⅜	20⅛
Third quarter	1,213.2	344.9	68.7	39.5	.46	.195	23¼	19⅜	23¼
Fourth quarter	1,269.1	366.7	87.7	47.3	.54	.195	27½	22⅜	27⅜
Annual	4,843.4	1,377.9	340.2	191.8	2.21	.760			

*Per share amounts have been restated to reflect a two-for-one stock split in November 1986.

Earnings before taxes on income include:

(a) $15.8 million gain ($5.3 million Foods and $10.5 million General corporate expense, net) from the sales of a Kansas flour mill and a joint-venture interest in an Australian food company [$9.7 million net earnings – 11 cents per share].

(b) $44.3 million restructuring charge ($23.8 million Foods, $17.0 million Restaurants and $3.5 million General corporate expense, net) for manufacturing plant consolidations, conversion of certain franchised Häagen-Dazs Ice Cream Shoppes to licensed operations, sale of selected low-performing restaurants and a reduction of headquarters staff positions in Restaurants [$21.6 million net earnings – 25 cents per share].

(c) $41.0 million gain (Restaurants) from the sale of 128 Burger King real estate properties to a master limited partnership [$28.1 million net earnings – 32 cents per share].

$22.5 million provision ($12.5 million Foods, $8.8 million Restaurants and $1.1 million General corporate expense, net) to discontinue the JJ. Muggs Restaurant concept, reflect a further impairment of the barge transportation business and recognize a headquarters early retirement program [$12.3 million net earnings – 14 cents per share].

(d) $10.2 million benefit (Restaurants) from the lengthening of depreciable lives of Burger King restaurant properties, effective June 1, 1985 [$5.2 million net earnings – 6 cents per share].

$1.3 million loss (Foods) on the sale of Apollo Foods and Pioneer Rice [$1.2 million net earnings – 1 cent per share].

(e) $38.9 million gain (Foods) from the sale of the American Beauty pasta division [$24.3 million net earnings – 28 cents per share].

$16.9 million provision (Foods) to reflect a permanent impairment of the barge transportation business and restructure certain other businesses [$8.6 million net earnings – 10 cents per share].

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1. Accounting policies

Consolidation
The Consolidated Financial Statements include the accounts of the parent company and its majority-owned subsidiaries after elimination of intercompany balances and transactions. The fiscal year of foreign subsidiaries generally ends on April 30 to facilitate timely reporting.

Sales
Net sales include trading margins, rather than total sales, from merchandising grain, feed ingredients and export flour. Restaurants sales include franchise fees, royalties and operating lease rentals.

Pensions
The Company adopted Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," effective June 1, 1985.

Taxes on income
Investment tax credits were reflected as reductions in federal income taxes in the year eligible purchases were placed in service. The loss of investment tax credits retroactive to January 1, 1986, under the Federal Tax Reform Act of 1986 was recorded as an increase in Fiscal 1987 taxes on income. At May 31, 1987, federal taxes were not provided on approximately $104 million of unremitted earnings of foreign subsidiaries which management considers to be invested indefinitely.

Earnings per share
Per share data and shares outstanding have been restated to reflect a two-for-one stock split effected by means of a 100 percent stock dividend in November 1986. Net earnings per share are computed using the weighted average number of common shares, including common share equivalents of stock options, outstanding during each year. Net earnings per share assuming full dilution would be substantially the same.

Foreign exchange
Foreign currency balance sheets are translated at the end-of-period exchange rates and earnings statements are translated at the average exchange rates for each period. Local currencies, except in Mexico, have been determined to be the functional currencies. The resulting translation gains or losses are recorded in the "Accumulated Foreign Currency Translation" caption within shareholders' equity. Because of its highly inflationary economy, Mexican translation adjustments are recognized immediately in earnings.

Inventories
Grain inventories, including open grain contracts, are stated at May 31 market prices. Other domestic inventories are valued at the lower of cost, determined on a last-in, first-out (LIFO) method, or market. If the FIFO method had been used at May 31, 1987 and 1986, inventories would have been lower by $5.2 million and $10.8 million, respectively.

Property, plant and equipment
Owned property, plant and equipment is stated at cost. Depreciation is computed using the straight-line method for financial statement purposes and accelerated methods for tax purposes. Assets under capital leases are recorded at the present value of future minimum lease payments and are depreciated using the straight-line method over the related lease terms.

Intangibles
Intangible assets consist of goodwill, reacquired franchise rights, trademarks and patents and are carried at purchased cost less accumulated amortization. Goodwill represents the unidentified excess of cost over the net assets of purchased businesses. Costs are amortized evenly over estimated useful lives or periods benefited (not in excess of 40 years).

2. Industry segment data

A summary by industry segment is included on page 34.

3. Interim results of operations (unaudited)

A summary by quarter is included on page 35.

4. Shareholders' equity

	Shares of common stock outstanding (In millions)	Common stock	Treasury stock	Accumulated earnings (In millions)	Accumulated foreign currency translation	Total
Balances at May 31, 1984	43.2	$305.2	$(11.7)	$ 792.4	$(40.7)	$1,046.2
Net earnings				191.8		191.8
Translation adjustment					(12.0)	(12.0)
Cash dividends				(65.8)		(65.8)
Purchase of treasury stock	(.6)		(22.6)			(22.6)
Stock issued for:						
Conversion of subordinated debentures and 8⅜% notes	.5	18.6				18.6
Stock option and performance unit plans	.3	.1	11.0	(1.9)		9.2
Balances at May 31, 1985	43.4	324.9	(23.3)	916.5	(52.7)	1,165.4
Net earnings				208.1		208.1
Translation adjustment					15.7	15.7
Cash dividends				(73.0)		(73.0)
Purchase of treasury stock	(.2)		(14.0)			(14.0)
Stock issued for:						
Conversion of subordinated debentures		.2				.2
Stock option and performance unit plans	.3	.1	12.9	(1.2)		11.8
Balances at May 31, 1986	43.5	325.2	(24.4)	1,050.4	(37.0)	1,314.2
Stock split effected by means of a 100% stock dividend	43.5	44.0		(44.0)		
Net earnings				181.9		181.9
Translation adjustment					.5	.5
Cash dividends				(83.3)		(83.3)
Purchase of treasury stock	(1.2)		(43.5)			(43.5)
Stock issued for:						
Conversion of subordinated debentures	.1	.9				.9
Stock option and performance unit plans	.3	.3	9.2	(1.3)		8.2
Balances at May 31, 1987	86.2	$370.4	$(58.7)	$1,103.7	$(36.5)	$1,378.9

At May 31, 1987, there were outstanding 43,088,295 rights to purchase Series C Junior participating preferred stock. The rights were issued as a dividend on January 21, 1986, at the rate of one right for each outstanding share of common stock. As a result of the November 1986 two-for-one common stock split, each share of common stock has, since then, been accompanied by one-half of a right. Each full right entitles the holder to purchase from the Company a unit (one two-hundredth of a share) of Series C Junior participating preferred stock without par value at $200 per unit. The rights are not exercisable or transferable apart from the common stock until ten days after a person or group has acquired 20 percent or more, or makes a tender offer for 30 percent or more, of the Company's common stock.

The Series C Junior participating preferred stock will entitle the holder, under certain circumstances (a merger, acquisition of 50 percent or more of the common stock of the Company by an acquiring person or sale of 50 percent or more of the Company's assets or earning power), to acquire, at half their value, either common stock or other securities of the Company or common stock of the acquiring person. Any such event would also cause any rights owned beneficially by the acquiring person or its affiliates to become null and void. The rights expire on January 21, 1996, and are redeemable at one cent per right for a limited time after an acquiring person has acquired 20 percent or more of the Company's common stock.

5. Acquisitions and dispositions

In February 1986, the Company sold 128 Burger King real estate properties to a master limited partnership for $84.3 million in cash resulting in a gain of $41.0 million ($28.4 million net earnings – 32 cents per share).

Effective December 9, 1985, the Company purchased the net assets of Jeno's Inc., a producer of frozen pizzas and hot snack products, for $147.2 million in cash and assumed debt. The acquisition, accounted for as a purchase, included $46.1 million of intangibles.

Effective July 1, 1985, the Company acquired the outstanding common stock of Diversifoods Inc. for $392 million in cash. Diversifoods, a broad-based restaurant management company, was the largest franchisee of Burger King restaurants. The acquisition, accounted for as a purchase, included $211.9 million of intangibles and $120.4 million of assets held for disposal, primarily the Chart House restaurant concept which was sold for $83.0 million in November 1985.

Effective November 4, 1984, the Company purchased the net assets of Van de Kamp's, a producer of frozen fish products and ethnic entrees, for $100.5 million in cash. The acquisition, accounted for as a purchase, included $64.5 million of intangibles.

In November 1984, the Company sold the identifiable assets of the American Beauty pasta division for $56 million in cash resulting in a gain of $38.9 million ($24.3 million net earnings – 28 cents per share).

In addition, during the three-year period ended May 31, 1987, the Company acquired or disposed of other businesses, none of which were material.

6. Interest expense, net

	Year ended May 31		
	1987	1986	1985
		(In millions)	
Interest expense on:			
Long-term obligations	$103.9	$108.7	$ 62.3
Capital lease obligations	8.5	8.6	5.9
Short-term obligations	20.9	20.4	24.0
Capitalized interest	(3.4)	(3.9)	(2.4)
Interest income	(8.3)	(11.1)	(14.3)
Amortization of unearned income on direct financing leases	(26.0)	(25.4)	(22.5)
	$ 95.6	$ 97.3	$ 53.0

7. Taxes on income

	Year ended May 31		
	1987	1986	1985
		(In millions)	
Earnings before taxes on income consist of:			
Domestic	$329.1	$349.6	$318.8
Foreign	23.4	27.5	21.4
	$352.5	$377.1	$340.2
Taxes on income consists of:			
Current:			
Federal	$ 76.9	$127.4	$113.8
Investment tax credit	2.7	(8.2)	(9.0)
	79.6	119.2	104.8
State	11.2	19.4	16.8
Foreign	7.4	6.9	1.5
	98.2	145.5	123.1
Deferred:			
Federal	63.1	16.8	22.3
State	8.1	2.7	2.4
Foreign	1.2	4.0	.6
	72.4	23.5	25.3
	$170.6	$169.0	$148.4

Reconciliation between the expected federal tax rate and the actual effective rate is as follows:

	1987	1986	1985
Expected federal tax rate	46.0%	46.0%	46.0%
State income taxes, net of federal income tax benefit	3.0	3.2	3.1
Investment tax credit	.8	(2.2)	(2.6)
Other, net	(1.4)	(2.2)	(2.9)
	48.4%	44.8%	43.6%

Deferred taxes result from timing differences in the recognition of revenue and expense for tax and financial statement purposes. Tax effects of those differences are as follows:

	1987	1986	1985
Excess of tax over book depreciation	$60.5	$32.0	$38.3
Change in reserves not deductible currently for taxes	8.6	(7.2)	(11.6)
Installment sales	(1.9)	1.2	(5.3)
Interest on zero coupon notes		(1.0)	7.0
Other, net	5.2	(1.5)	(3.1)
	$72.4	$23.5	$25.3

8. Current assets

	May 31 1987	May 31 1986
	(In millions)	
Receivables:		
Receivables	$543.1	$508.0
Less allowance	(20.4)	(15.3)
	$522.7	$492.7
Inventories:		
Finished products	$333.8	$306.7
Raw materials, containers and supplies	221.1	170.3
Grain	17.3	13.2
	$572.2	$490.2

9. Noncurrent assets

	May 31 1987	May 31 1986
	(In millions)	
Intangibles:		
Intangibles	$ 501.5	$ 464.2
Less accumulated amortization	(64.7)	(42.6)
	$ 436.8	$ 421.6
Property, plant and equipment:		
Land and improvements	$ 271.5	$ 245.6
Buildings and improvements	1,352.0	1,324.5
Machinery and equipment	1,144.4	975.7
	2,767.9	2,545.8
Less accumulated depreciation	(933.2)	(782.6)
	$1,834.7	$1,763.2

Property, plant and equipment includes assets under capital leases, as well as assets leased to restaurant franchisees under operating leases, at May 31 as follows:

	Assets under capital leases 1987	Assets under capital leases 1986	Assets leased to restaurant franchisees 1987	Assets leased to restaurant franchisees 1986
	(In millions)			
Land and improvements			$ 86.2	$ 85.5
Buildings and improvements	$ 67.4	$ 68.7	67.4	61.1
Machinery and equipment	13.4	20.9	4.3	[illegible]
	80.8	89.6	157.9	150.0
Less accumulated depreciation	(36.7)	(38.0)	(35.5)	(31.2)
	$ 44.1	$ 51.6	$122.4	$119.4

10. Long-term debt

	May 31 1987	May 31 1986
	(In millions)	
11⅛% sinking fund debentures due 2015	$128.4	$ 150.0
10¼% Euro bonds due 1993	100.0	100.0
6⅝% Deutsche Mark bonds due 1992	74.3	75.0
12% extendible notes due 1999	100.0	100.0
11½% notes due 1995	100.0	100.0
14% notes due 1991	50.0	50.0
Commercial paper supported by an unused long-term revolving credit agreement	100.0	
Restaurant subsidiaries installment notes at 11½% weighted average interest rate:		
Unsecured	193.1	245.5
Secured (real estate of $17.5 million pledged as collateral)	8.0	53.0
Other notes at 6⅜% to 12⅞% (real estate of $136.2 million pledged as collateral)	72.2	74.3
Capital lease obligations	70.7	77.2
	996.7	1,025.0
Less current portion	(44.9)	(52.1)
	$951.8	$ 972.9

Certain debt agreements contain restrictions relating to the payment of dividends and the purchase by the Company of its common stock. Under the most restrictive of these provisions, approximately $225 million of accumulated earnings at May 31, 1987, was available for dividends and the purchase of common stock of the Company.

Maturities of long-term debt, excluding capital lease obligations, for the five fiscal years subsequent to May 31, 1987, are: 1988 ($38.5 million); 1989 ($34.4 million); 1990 ($27.7 million); 1991 ($83.3 million); and 1992 ($31.3 million).

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11. Financing commitments

Notes payable at May 31, 1987, include $30.4 million of commercial paper and $21.5 million of foreign subsidiaries' notes. Notes payable at May 31, 1986 and 1985, consist only of foreign subsidiaries' notes.

Selected information on notes payable is as follows:

	1987	1986	1985
	(In millions)		
At May 31:			
Amount	$ 51.9	$ 22.1	$ 11.5
Interest rate	8.4%	10.8%	11.5%
Largest month-end balance	$383.1	$314.5	$370.2
Weighted average balance	253.9	179.8	177.4
Average interest rate for year	6.7%	8.0%	10.8%

Bank lines of credit, which may be used for direct borrowing or to support commercial paper, are reviewed on an annual basis and may be withdrawn at the banks' option. Interest on borrowings is at prevailing market rates. At May 31, 1987, the Company had bank lines of credit of $204.5 million against which $6.8 million of foreign subsidiaries' borrowings were outstanding. Certain bank lines require compensating balances which are not legally restricted.

In addition, the Company has two seven-year revolving credit agreements with several banks totaling $300 million. No borrowings were outstanding under these agreements at May 31, 1987. Interest on borrowings is at the prevailing prime rate or other market rates. The Company pays commitment fees on the unused portions of the commitments.

12. Other commitments and contingent liabilities

The Company and certain of its subsidiaries are parties to legal proceedings and guarantees of debt arising in the conduct of business. In addition, the Company and certain of its subsidiaries have sold, with limited recourse, notes receivable with remaining uncollected balances at May 31, 1987 and 1986, of $44.3 million and $53.1 million, respectively. In the opinion of management, disposition of these matters will not materially affect the Company's consolidated financial position.

13. Investments as lessor

Restaurant subsidiaries lease buildings and land to franchisees. The building portions of the leases are direct financing leases while the land portions are operating leases. Substantially all leases are for 15 to 20 years, provide for minimum and contingent rentals, and require the franchisee to pay executory costs.

Minimum future lease receipts during the fiscal years ending May 31:	Direct financing leases	Operating leases
	(In millions)	
1988	$ 31.7	$ 30.8
1989	32.6	30.6
1990	32.9	28.9
1991	32.7	28.6
1992	32.0	28.1
Later	313.6	278.9
	$475.5	$425.9

Net investment in direct financing leases at May 31:	1987	1986
	(In millions)	
Minimum future lease receipts	$475.5	$459.9
Allowance for uncollectables	(4.4)	(4.4)
Estimated unguaranteed residual value	5.0	3.8
Unearned amount representing interest	(271.0)	(261.4)
Net investment	205.1	197.9
Current portion included in receivables	(5.1)	(4.6)
Net investment in direct financing leases	$200.0	$193.3

	Year ended May 31		
Rental income:	1987	1986	1985
	(In millions)		
Minimum rental income	$31.8	$31.7	$26.6
Contingent rental income (a)	30.1	32.3	32.8
	$61.9	$64.0	$59.4

(a) Includes contingent rentals under direct financing and operating leases on both owned and leased property.

14. Commitments as lessee

Capital leases cover restaurant buildings and transportation, computer and manufacturing equipment.

Operating leases cover land; manufacturing, warehousing and administrative facilities; grain handling and storage facilities; and manufacturing and transportation equipment.

Minimum future obligations on leases with an initial term greater than one year for the fiscal years ending May 31:	Capital leases	Operating leases (a)
	(In millions)	
1988	$ 14.2	$ 74.3
1989	13.2	68.1
1990	12.3	59.7
1991	11.8	54.1
1992	11.7	49.5
Later	62.7	489.9
Total minimum obligations (b)	125.9	795.6
Executory costs	(1.0)	(4.2)
Net minimum obligations	124.9	$791.4(c)
Amount representing interest	(54.2)	
Present value of net minimum obligations	$ 70.7	
Current portion	$ 6.4	

(a) Does not include obligations under term freight agreements for 1,500 barge loads in Fiscal 1988, decreasing to 1,150; 660 and 385 barge loads in Fiscal 1989, 1990 and 1991, respectively.
(b) Minimum lease obligations have not been reduced by minimum sublease rentals. In addition to minimum obligations, contingent rentals may be paid under certain restaurant and grain facility leases as a percentage of sales and volume, respectively.
(c) The present value of the net minimum future obligations under operating leases, calculated using the Company's incremental borrowing rate at the inception of the leases, is $387.2 million.

Rental expense:	Year ended May 31 1987	1986	1985
		(In millions)	
Minimum rental expense (a)	$110.6	$112.2	$89.0
Contingent rental expense (b)	13.0	12.0	9.1
Transportation equipment sublease income	(6.9)	(5.9)	(6.7)
	$116.7	$118.3	$91.4

(a) Includes rentals under leases with terms of one year or less. Payments under term freight agreements of $14.9 million, $15.6 million, and $21.3 million for Fiscal 1987, 1986 and 1985, respectively, are not included.
(b) Includes contingent rental expense under both capital and operating leases.

15. Stock options

Under the Company's 1982 Stock Option Plan, options to purchase in the aggregate 3,000,000 shares of the Company's common stock may be granted to officers and key employees. Options outstanding under this and predecessor option plans are either nonqualified or incentive stock options granted at 100 percent of the fair market value at date of grant and expire ten years thereafter. Nonqualified stock options become exercisable in cumulative annual installments of 25 or 33 percent beginning one year after date of grant and incentive stock options become fully exercisable one year after date of grant. Shares and price ranges have been restated to reflect a two-for-one stock split in November 1986.

	Option shares Outstanding	Exercisable	Price range
Balances at May 31, 1984	1,563,514	787,314	$ 4-19
Granted	431,000		19-24
Became exercisable		632,900	9-18
Exercised	(513,816)	(513,816)	4-18
Cancelled	(90,100)	(62,300)	
Balances at May 31, 1985	1,390,598	844,098	5-24
Granted	551,500		27-38
Became exercisable		510,724	9-24
Exercised	(580,788)	(580,788)	5-24
Cancelled	(84,042)	(51,090)	
Balances at May 31, 1986	1,277,268	722,944	5-38
Granted	461,200		35-44
Became exercisable		490,960	11-38
Exercised	(287,876)	(287,876)	5-27
Cancelled	(55,740)	(10,100)	
Balances at May 31, 1987	1,394,852	915,928	5-44

An additional 1,215,582 shares are available for grant through September 15, 1987. At May 31, 1987, 2,610,434 shares of common stock were reserved for options. Option shares outstanding at May 31, 1987, were granted in Fiscal 1983 and prior years (263,672); 1984 (97,600); 1985 (202,514); 1986 (403,266) and 1987 (427,800). Unexercisable option shares outstanding at May 31, 1987, become exercisable in Fiscal 1988 (439,480); 1989 (29,719); 1990 (20,708) and 1991 (9,017).

16. Compensation plans

Certain employees of the Company participate in compensation programs which include a base salary plus incentive payments based on the level of operating earnings. Additionally, under a 1981 Performance Unit Plan, officers and key employees may be awarded performance units valued at the fair market value of an equivalent number of shares of the Company's common stock at time of award. The Company's cumulative annual growth in earnings per share over the four-year period following the award is the basis for payment. Awards of 313,604 performance units were outstanding at May 31, 1987, at a weighted average award value of $23.14 each.

Eligible employees could elect, under the Company's Stock Purchase and Investment Plan or Deferred Incentive Plan, to make deposits of up to ten percent of the employees' profit sharing earnings with the Company matching 50 percent of the deposits up to the first four percent of such earnings.

Expenses incurred under the above compensation plans (excluding base salary) were $33.8 million, $33.9 million and $27.7 million in Fiscal 1987, 1986 and 1985, respectively.

17. Retirement plans

The Company and its subsidiaries have noncontributory defined benefit retirement plans covering substantially all employees. Benefits are based on years of credited service or final average compensation. Substantially all of the plans are funded by annual contributions to tax exempt trusts. Plan assets consist principally of equity securities, corporate obligations and government bonds.

The Company adopted Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions" (SFAS 87) effective June 1, 1985. Pension cost and related disclosures are determined under the provisions of SFAS 87 for Fiscal 1987 and 1986, and under the provisions of previous accounting principles for Fiscal 1985.

Net pension cost consists of:

	Year ended May 31	
	1987	1986
	(In millions)	
Service cost – benefits earned during the year	$ 11.9	$ 7.2
Interest cost on projected benefit obligation	25.5	23.9
Actual return on plan assets	(81.7)	(96.3)
Deferred gain	49.0	66.8
Amortization of transition asset (a)	(8.1)	(7.8)
Net pension credit	$ (3.4)	$ (6.2)

Pension expense for Fiscal 1985 was $7.8 million.

The funded status of the plans and the prepaid asset recognized on the Consolidated Balance Sheet are as follows:

	May 31	
	1987	1986
	(In millions)	
Plan assets at fair value	$ 454.9	$ 389.7
Projected benefit obligation:		
Actuarial present value of vested benefits	$(224.0)	$(198.8)
Actuarial present value of nonvested benefits	(23.9)	(21.3)
Accumulated benefit obligation	(247.9)	(220.1)
Effect of projected future compensation increases	(71.8)	(70.5)
	$(319.7)	$(290.6)
Plan assets in excess of projected benefit obligation:		
Unrecognized transition asset (a)	$ 70.4	$ 78.5
Unrecognized net gain	62.7	19.4
Unrecognized prior service cost	(4.0)	(.7)
Total unrecognized	129.1	97.2
Prepaid pension asset on the Consolidated Balance Sheet	6.1	1.9
	$ 135.2	$ 99.1

(a) As of June 1, 1985, the date of adoption of SFAS 87, plan assets in excess of the projected benefit obligation became an unrecognized transition asset which is being recognized over 10 to 18 years.

For both May 31, 1987 and 1986, the weighted average discount rate and rate of increase in future compensation used in determining the actuarial present value of the projected benefit obligation were nine percent and six percent, respectively. The expected long-term rate of return on plan assets was ten percent.

The Company and its subsidiaries are also participants in multi-employer defined benefit pension plans covering a small number of hourly employees. The pension cost for multi-employer pension plans was $1.1 million in each of Fiscal 1987 and 1986.

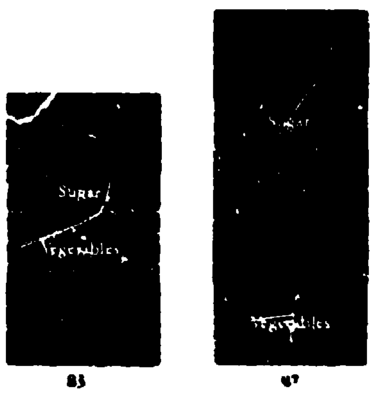
In addition to providing retirement income benefits, the Company and certain subsidiaries provide health care and life insurance benefits for eligible retired employees. Currently, the Company's health care and life insurance benefit plans permit employees to receive those benefits if they reach retirement age while still working for the Company. The cost of such benefits is recognized as expense as claims are paid, which totaled $5.1 million, $4.6 million and $4.0 million in Fiscal 1987, 1986 and 1985, respectively.

Statistical Summary

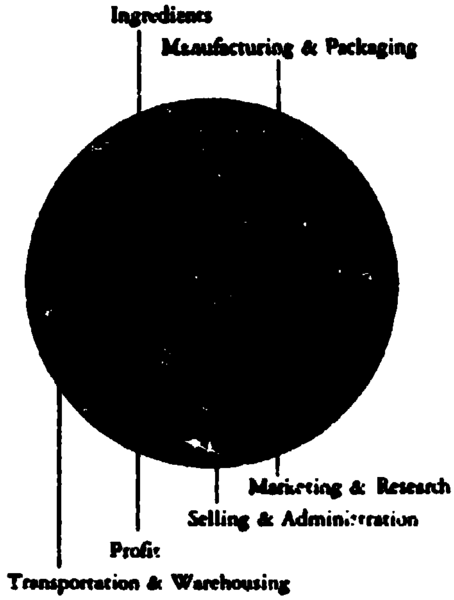
Restaurants	1987	1986	1985	1984	1983
	Year ended May 31				
Systemwide Sales (Billions) (Including sales by franchised restaurants)	$ 6.0	$ 5.5	$ 4.6	$ 4.0	$ 3.3
Average Unit Sales (Thousands)					
Fast Food					
Burger King (Domestic)	$1,017	$1,014	$1,009	$ 944	$ 838
Godfather's Pizza	402	368			
Full Service					
Steak and Ale	1,379	1,502	1,518	1,484	1,312
Bennigan's	2,222	2,265	2,206	2,323	2,364
Bay Street	2,024	2,111			
Number of Units					
Fast Food					
Burger King	5,179	4,743	4,225	3,827	3,502
Godfather's Pizza	605	671			
Full Service					
Steak and Ale	180	185	181	179	181
Bennigan's	207	195	177	148	109
Bay Street	14	6	1		
Other	23	30	17	5	2
Total	6,208	5,831	4,601	4,159	3,794
Store Operating Profit (Company Stores)					
Burger King (Domestic)	15.6%	15.2%	15.2%	16.7%	15.2%
Full Service Restaurants	19.2%	20.5%	20.7%	20.7%	21.9%
Foods					
Unit Volume Change	+6%	+16%	+9%	+9%	−1%
Advertising and Promotion (Millions)	$545	$526	$411	$333	$333
Research and Development (Millions)	$ 36	$ 35	$ 31	$ 28	$ 25
Ingredient Cost Index* (1980 = 100)	95	92	101	105	100

*U.S. Government Producer Price Index for Foods

Domestic Packaged Foods
Largest Food Ingredients
(Dollar-Weighted Basis)



Domestic Packaged Foods
Operating Profit and Costs
(% of Fiscal 1987 Sales Dollar)



Burger King Store Operating Profit
and Costs at Average Company-operated Restaurant
(% of Fiscal 1987 Sales Dollar)

Eleven Year Summary

Annual Growth Rates 10-Yr. 1977-1987	5-Yr. 1982-1987	1-Yr. 1986-1987		1987	1986
			Operating results:		
14%	12%	5%	Net sales	$6,127.8	$5,847.9
15	13	5	Gross margin	1,835.6	1,745.3
17	16	13	Depreciation	197.6	175.3
12	11	4	Research and development	43.2	41.4
17	12	3	Advertising and promotion	636.8	617.8
19	19	(2)	Interest, net	95.6	97.[illegible]
11	9	(7)	Earnings before taxes on income	352.5	377.1
11	6	(13)	Net earnings	181.9	208.1
2	–	(1)	Average common shares outstanding (a)	86.7	87.3
9	6	(12)	Net earnings per common share (a)	$ 2.10	$ 2.38
			Changes in financial position:		
15	13	6	Funds provided from operations	$ 457.4	$ 432.5
			New investments – acquisitions	53.[illegible]	757.3
10	9	4	– capital expenditures	320.6	308.5
			– other	25.7	51.8
			Issuance of long-term debt	121.5	454.5
			Retirement of long-term debt	179.8	282.8
16	12	14	Cash dividends	83.3	73.0
13	12	15	Cash dividends per common share (a)	.965	.84
			Financial position:		
7	2	10	Current assets	$1,273.6	$1,159.1
16	13	4	Property, plant and equipment, net	1,834.7	1,763.2
13	10	5	Total assets	3,853.1	3,658.8
12	9	9	Current liabilities	1,242.6	1,135.5
1[illegible]	9	2	Invested capital	2,375.6	2,339.2
14	9	(3)	Long-term debt, including current portion	996.7	1,025.0
13	9	5	Shareholders' equity	1,378.9	1,314.2
11	9	6	Equity per common share (a)	16.00	15.12
			Statistics and ratios:		
			Gross margin to net sales	30.0%	29.8%
			Net earnings to net sales	3.0%	3.6%
			Pretax interest and rent coverage	2.4	2.[illegible]
			Pretax long-term interest coverage	4.2	4.[illegible]
			Long-term debt to total capitalization	42.0%	43.8%
			Dividend payout	45.[illegible]%	35.1%
			Return on average equity	13.5%	16.8%
			Return on average invested capital	10.1%	12.[illegible]%
			Market price of common stock–high (a)	$ 46¼	$ 40[illegible]
			–low (a)	32⅝	24
			–close (a)	38¼	40[illegible]
			Shareholders of record (b)	22,800	21,[illegible]00
			Employees:		
			Domestic Restaurants	81,000	87,800
			Domestic Foods and Corporate	16,200	15,800
			Foreign subsidiaries	7,700	4,500
			Total	104,900	108,100

(a) Per share data and shares outstanding have been restated to reflect a two-for-one stock split in November 1986

(b) Does not reflect the large number of employees (20,800 at May 31, 1987) individually holding and voting shares through Company benefit plans

Year ended May 31

(in millions except per share, shareholders and employees)

1985	1984	1983	1982	1981	1980	1979	1978	1977
$4,843.4	$4,334.8	$3,850.5	$3,549.7	$3,463.6	$3,207.2	$2,259.6	$1,776.7	$1,585.1
1,377.9	1,219.8	1,096.4	997.4	914.2	850.3	627.8	497.8	443.9
133.9	114.6	105.5	92.8	89.4	78.4	55.2	44.4	40.4
37.1	34.7	29.8	25.9	21.3	19.4	17.3	14.5	14.3
473.7	390.6	378.7	360.5	314.6	286.3	183.3	142.6	136.7
53.[illegible]	44.2	39.4	39.3	65.6	58.2	26.5	19.0	16.2
340.2	303.7	239.2	228.0	201.9	191.8	160.3	142.1	123.8
191.8	169.8	138.9	136.3	119.6	104.7	83.5	72.5	62.5
86.8	86.9	86.9	86.7	80.4	80.2	72.3	70.1	69.7
$ 2.21	$ 1.95	$ 1.60	$ 1.57	$ 1.49	$ 1.31	$ 1.16	$ 1.04	$ .90
$ 360.6	$ 312.5	$ 243.4	$ 247.6	$ 226.8	$ 182.1	$ 152.5	$ 129.5	$ 114.2
154.2	84.9	–	22.5	25.[illegible]	5.4	13[illegible]	–	–
327.1	282.4	243.9	208.5	226.5	254.1	230.2	134.1	120.9
78.0	50.7	36.0	54.8	30.6	12.6	29.5	21.7	8.2
219.3	54.2	30.2	35.2	92.3	79.3	154.8	63.3	8.2
132.5	65.1	73.7	47.7	37.9	28.7	15.8	30.9	27.4
65.8	58.9	52.5	47.2	38.7	33.5	26.1	21.4	18.7
.76	.68	.61	.55	.48	.42	.37	.31	.28
$ 921.5	$1,071.8	$1,021.6	$1,133.0	$ 989.9	$ 938.8	$ 906.6	$ 680.6	$ 624.9
1,405.0	1,193.0	1,053.2	1,009.0	950.6	857.1	741.5	486.5	428.8
2,778.5	2,608.3	2,366.6	2,428.3	2,174.5	1,983.7	1,804.5	1,282.8	1,139.1
744.1	926.4	704.9	816.5	687.6	680.1	629.8	461.9	413.6
1,853.9	1,643.6	1,561.6	1,538.0	1,404.9	1,246.8	1,109.3	763.8	680.9
688.5	597.4	605.2	648.0	657.7	582.3	531.6	311.7	279.3
1,165.4	1,046.2	956.4	890.0	747.2	664.5	577.7	452.1	401.6
13.43	12.11	11.05	10.26	9.30	8.29	7.37	6.46	5.74
28.4%	28.1%	28.5%	28.0%	26.4%	26.5%	27.8%	28.0%	28.0%
4.0%	3.9%	3.6%	3.8%	3.4%	3.3%	3.7%	4.1%	3.9%
2.8	2.7	2.3	2.3	2.2	2.3	3.0	3.6	3.7
6.2	5.5	4.4	4.4	4.7	5.1	5.6	6.5	6.5
37.1%	36.3%	38.8%	42.1%	46.8%	46.7%	47.9%	40.8%	41.0%
34.3%	34.7%	37.8%	34.6%	32.4%	32.0%	31.6%	30.0%	29.9%
17.3%	17.0%	15.0%	16.[illegible]%	16.9%	16.9%	16.2%	17.0%	16.6%
12.9%	12.7%	11.2%	11.6%	11.1%	10.9%	10.8%	12.0%	11.6%
$ 27½	$ 20¼	$ 15⅝	$ [illegible]	$ 11½	$ 10⅝	$ 12	$ 10⅝	$ 11⅛
17¼	13⅞	9½	8¾	7⅞	6⅝	8	8⅝	8⅝
27⅝	19	14⅝	11⅞	10¼	8	8⅝	9⅝	8⅞
20,900	20,800	19,100	20,200	20,700	21,200	20,000	14,300	14,300
74,400	61,400	41,500	40,300	44,100	42,200	42,000	31,900	29,200
14,200	14,200	11,200	11,500	12,800	13,900	12,800	9,400	8,200
4,300	3,800	3,500	3,400	3,100	3,400	3,300	3,000	3,000
92,900	79,400	56,200	55,200	60,000	59,500	58,100	44,300	40,400

Board of Directors

John H. Perkins, 3, 4, 6
Retired President, Continental
Illinois Corporation and
Continental Illinois National
Bank and Trust Company,
Chicago, Ill.

George S. Pillsbury, 1, 3, 4
President, Sargent Management
Company (investment advisors),
Minneapolis, Minn.

Robert A. Schoellhorn, 2, 4, 5
Chairman of the Board and
Chief Executive Officer, Abbott
Laboratories (health care
products),
Chicago, Ill.

George J. Sella, Jr., 2, 4, 5
Chairman of the Board,
President and Chief Executive
Officer, American Cyanamid
Company (agricultural,
chemical, consumer and
medical products),
Wayne, N.J.

William H. Spoor, 1, 2, 4
Chairman Emeritus,
The Pillsbury Company

John M. Stafford, 1, 2
Chairman of the Board,
President and
Chief Executive Officer,
The Pillsbury Company

Peter G. Wray, 3, 4
Chairman of the Board,
The Victorio Company
(ranching, farming and related
activities),
Phoenix, Ariz.

Committees of the Board
1 *Executive*
2 *Finance*
3 *Audit*
4 *Nominating*
5 *Executive Compensation*
6 *Public Responsibilities*

Corporate Officers

John M. Stafford
Chairman of the Board, President and Chief Executive Officer

J. Jeffrey Campbell
Executive Vice President and Chairman, Restaurants Group

Roger L. Headrick
Executive Vice President and Chief Financial Officer

Jerry W. Levin
Executive Vice President, Corporate Development and Chairman, The Häagen-Dazs Company

Thomas R. McBurney
Executive Vice President and Chairman, U.S. Foods

Edward C. Stringer
Executive Vice President, General Counsel and Chief Administrative Officer

James [illegible] Behnke
Senior Vice President, Growth and Technology

Richard T. Crowder
Senior Vice President, Corporate Risk Officer and Executive Vice President, Restaurants Group

Herbert D. Ihle
Senior Vice President, Controller and Treasurer

Timothy C. Sullivan
Senior Vice President, Human Resources

Russell J. Bragg
Vice President and Group Vice President, Grain Merchandising

Kyle T. Craig
Vice President and Chairman and Chief Executive Officer, S&A Restaurant Corp.

Kent C. Larson
Vice President and President, U.S. Foods

John L. Morrison
Vice President and President, International Foods

Gerald L. Olson
Vice President, Government Relations

Charles H. Gauck
Corporate Secretary

Staff Officers

John E. Bohan
Vice President, Pension Investments

Terry W. Bowmaster
Vice President, Strategic Planning

Michael D. Ellwein
Vice President and Assistant General Counsel

Jerry L. Ford
Vice President, Administrative Services

John M. Hammitt
Vice President, Information Management

Glenn W. Jeffrey
Vice President, Executive and Organization Development

Kenneth A. Johnson
Vice President and Tax Counsel

John T. Kirkland
Vice President, International Acquisitions

Gerald T. Knight
Vice President and Deputy Controller

Ronald E. Lund
Vice President, Associate General Counsel and Assistant Secretary

Charles H. McGill
Vice President, Mergers and Acquisitions

Jack H. Morris
Vice President, Investor Relations

James T. Petersen
Vice President, New Concept Development

Dan C. Rengers
Vice President, Industrial Relations

Mahlon C. Schneider
Vice President and Assistant General Counsel

Johnny W. Thompson
Vice President, Public Relations

Ralph O. Thrane
Vice President, Acquisition Development and Analysis

Carol B. Truesdell
Vice President, Community Relations

Barbara E. Buisman
Assistant Secretary

George V. Rux
Assistant Treasurer

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Foods

U.S. Foods

Chairman
Thomas R. McBurney

President
Kent C. Larson

Vice Presidents
John W. Argent
Daniel C. Barnett
Howard E. Bauman
Thomas J. Cardinal
John E. Dixon
Diana L. Doshan
Gary M. Eastburn
Robert W. Eichinger
L. Thomas Gartner
William W. Hay
William D. Howe
Gary F. Klingl
Philip J. Lindau
Robert L. Lindsay, Jr.
Daniel J. Locke
Warren G. Malkerson
Russell S. Mentzer
W. Richard Nickel, III
Donald A. Osell
Michael J. Paxton
William N. Priesmeyer
Anthony L. Scherber
Steven Schmidt
Jimmy A. Shadler
Kenneth D. Spicer
Rose W. Totino
Kenneth J. Valentas
Virginia L. Ward
Thomas N. Wilkolak
Carl Wilson
Lawrence P. Youngblood

Grain Merchandising

Group Vice President
Russell J. Bragg

Vice Presidents
Donald E. Brummer
James A. Woerner

International Foods

President
John L. Morrison

Vice Presidents
Josiah A. Flournoy
Grahame R. Francis
John C. Lenker
Donald E. Loadman
John H. Watson

Country Managers
William G. Bullis, Jamaica
Calvin Chang, Hong Kong
Rocky W. Chen, Taiwan
Hans-Joachim Denecke, West Germany
Michael S. Dingee, Venezuela
J. Thomas Kirchner, Mexico
Don Moraza, Philippines
Bruce A. Noble, United Kingdom
Gerald A. O'Connor, Guatemala
Richard A. Peddie, Canada
Victor Sherrer, France/Belgium/Spain

The Häagen-Dazs Company

Chairman
Jerry W. Levin

President
Mark L. Stevens

Senior Vice President
Benton Silloway, Jr.

Vice Presidents
Michael L. Bailey
Beth L. Bronner
Rodrick E. Heien
James Richards
Douglas R. Schrank
Matthew J. Sitkowski

Häagen-Dazs

The Pillsbury Company

Pillsbury Center

Minneapolis, Minnesota 55402

Restaurants

Chairman
J. Jeffrey Campbell

Executive Vice Presidents
Richard B. Berman
Richard T. Crowder

Burger King USA

President
Charles S. Olcott

Executive Vice Presidents
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William J. Gill
Mitchel E. Rhoads
Richard T. Snead
Richard J. Trutz
Joel J. Weiss

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Matthew J. Fairbairn
Stephen A. Finn
George E. Mileusnic
Robert H. Sorensen
Marc Weinstein

Region Vice Presidents
Ronald S. Busch
C. Donald Dempsey
Robert E. Gourley
Robert A. Gumm
George E. Miller
Kevin K. Moriarty
Christy A. Placzek
Frank G. Rackstraw
James D. Stoops
Donald Wollan

Vice Presidents
Oliver P. Brown
Robert B. Cathcart
Eugene D. Feola
John E. Foley
Paul R. Gershen
Robert S. Hill
Thomas Kupciunas
Gary C. List
Michael H. McCaffrey
Wayne A. Saunders
John A. Winkler

Burger King International

President
C. Ronald Petty

Region Vice Presidents
Raul Alvarez
Adalberto Feria
Thomas A. Morrell
John M. Rollo

Vice President
Jack Robinson

Distron

President
Alan B. Fabricant

Senior Vice Presidents
Donald G. Manson
Harold J. Patrick

Vice Presidents
Raymond J. Giambuzzi
John B. Prater

S&A Restaurant Corp.

Chairman
Kyle T. Craig

President
Donald J. Slater

Executive Vice President
Roger F. Thomson

Senior Vice Presidents
F. Lane Cardwell
Jack C. Fitch
Robert M. Hartnett
Dennis L. Hood
Alan R. Palmieri
Robert S. Svehlak

Vice Presidents
Scott W. Burcham
Nicholas A. Castaldo
Levy H. Curry
Marvin L. Salsbury
Carolyn A. Skelley
Roy E. Study
George R. Van Derver

Godfather's Pizza, Inc.

President
Herman Cain

Executive Vice President
Ronald B. Gartlan

Vice Presidents
Paul R. Baird
Larry P. Gadola
Charles E. Henderson
William C. Methven, Jr.
James M. Newman
Leah Evans Peters
Ricardo Puente
Spencer Wiggins

Quik Wok, Inc.

President
Anthony M. Lavely

Vice President
Vanda M. Davey

General Offices
Pillsbury Center
200 South Sixth Street
Minneapolis, MN 55402
Telephone (612) 330-4966
Cable Address: PILLS MPLS.

Transfer Agent and Registrar
First Trust Company, Inc.
Third Floor, First Trust Center
180 East Fifth Street
St. Paul, MN 55101
Telephone (612) 223-7719

Annual Meeting
The annual meeting of The Pillsbury Company will be held at the Ordway Music Theatre, 345 Washington Street, St. Paul, Minnesota, at 2:00 p.m. Central Daylight Time, Thursday, September 10, 1987.

All shareholders are invited to attend. Those unable to do so may listen to the proceedings by calling 1-900-410-3063 between the hours of 2:00 and 3:00 p.m. This is not a toll free number and persons using the service will be charged 50 cents for the first minute and 35 cents for each additional minute. The service provides one-way communication only; callers can listen but cannot be heard.

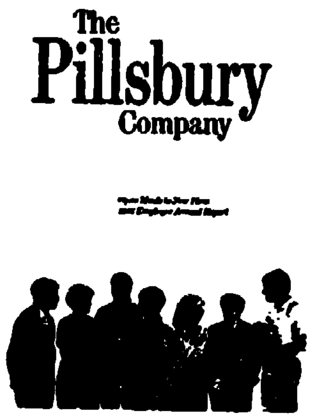
Shareholder Inquiries
Shareholders interested in the current progress of the Company are invited to telephone Investor Relations at (612) 330-8686.

Stock Listings
Pillsbury common stock is listed on the New York, Pacific, Midwest and London Stock Exchanges under the symbol PSY. Options are traded on the American Stock Exchange.

Dividend Reinvestment
An Automatic Dividend Reinvestment Plan permits shareholders to reinvest their dividends in Pillsbury common stock automatically and conveniently without service charges or brokerage fees. In addition, participating shareholders may make limited periodic cash investments for the purchase of additional shares of Pillsbury common stock on the same basis. The Plan is voluntary and shareholders may join or withdraw at any time. Full details about the Plan are available by writing to:
First Trust Company, Inc.
Attn: Reinvestment Services
P.O. Box 3002
South Hackensack, NJ 07606

Other Available Reports
Additional reports on The Pillsbury Company and its activities are available to shareholders without charge by writing to Investor Relations at the Company's general offices. The reports available are:

- *Form 10K*, an annual report filed with the Securities and Exchange Commission.
- *Open Minds to New Ideas. 1987 Employee Annual Report.*
- *Community Relations Annual Report 1987*, covering the Company's contributions and gift-giving policy.



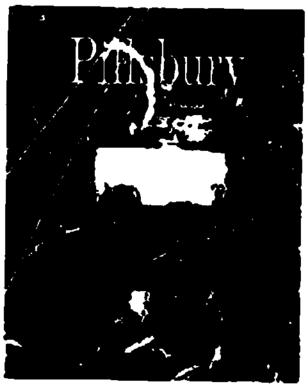


EXHIBIT (22)

Exhibit (22)

THE PILLSBURY COMPANY
SUBSIDIARIES OF THE REGISTRANT

Name	Jurisdiction in which organized
Burger King Corporation and Subsidiaries	Florida
6 domestic subsidiaries 22 foreign subsidiaries (Included in the Restaurants segment and operating primarily under the name Burger King)	
S&A Restaurant Corp. and Subsidiaries	Delaware
195 domestic subsidiaries (Included in the Restaurants segment and operating primarily under the names Steak and Ale or Bennigan's)	
Godfather's Pizza, Inc. and Subsidiaries	Delaware
23 domestic subsidiaries (Included in the Restaurants segment and operating primarily under the name Godfather's Pizza)	
The Häagen-Dazs Company, Inc.	New Jersey
(Included in the Foods segment and operating primarily under the name Häagen-Dazs)	

The names of subsidiaries which, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary, are omitted.

EXHIBIT (24)

Exhibit (24)

ACCOUNTANTS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 2-94290 on Form S-8, in Registration Statement No. 2-89366 on Form S-8, in Registration Statement No. 2-79365 on Form S-8 and in Registration Statement No. 2-99402 on Form S-3 of our report dated June 24, 1987 on the examination of the consolidated financial statements of The Pillsbury Company and Subsidiaries for each of the three years in the period ended May 31, 1987 included in the Annual Report on Form 10-K for the year ended May 31, 1987 and to the use of our name and the statements with respect to us appearing under the heading "Experts" in the prospectuses constituting parts of these Registration Statements.

Touche Ross & Co.
TOUCHE ROSS & CO.
Certified Public Accountants

August 6, 1987
Minneapolis, Minnesota

EXHIBIT (25)

THE PILLSBURY COMPANY

POWER OF ATTORNEY
OF DIRECTOR AND/OR OFFICER

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of THE PILLSBURY COMPANY, a Delaware corporation (the "Company"), does hereby make, constitute and appoint John M. Stafford, Roger L. Headrick and Edward C. Stringer, and each or any one of them, the undersigned's true and lawful attorneys-in-fact, with full power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as such director and/or officer of the Company to the Company's Form 10-K Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, for the fiscal year ended May 31, 1987, or other applicable form, including any and all exhibits, schedules, supplements and supporting documents thereto, to be filed by the Company with the Securities and Exchange Commission, Washington, D.C., as required in connection with its registration under the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand as of this 2nd day of June 1987.

W M Blumenthal

4578/2

IMAGE EVALUATION TEST TARGET (MT-3)

150mm

6"

BECHTEL
Information Services
15740 Shady Grove Road
Gaithersburg, Maryland 20877-1454

THE PILLSBURY COMPANY

POWER OF ATTORNEY
OF DIRECTOR AND/OR OFFICER

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of THE PILLSBURY COMPANY, a Delaware corporation (the "Company"), does hereby make, constitute and appoint John M. Stafford, Roger L. Headrick and Edward C. Stringer, and each or any one of them, the undersigned's true and lawful attorneys-in-fact, with full power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as such director and/or officer of the Company to the Company's Form 10-K Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, for the fiscal year ended May 31, 1987, or other applicable form, including any and all exhibits, schedules, supplements and supporting documents thereto, to be filed by the Company with the Securities and Exchange Commission, Washington, D.C., as required in connection with its registration under the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand as of this 2ND day of June 1987.

Donald F. Craib Jr.

4578/2

THE PILLSBURY COMPANY

POWER OF ATTORNEY
OF DIRECTOR AND/OR OFFICER

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of THE PILLSBURY COMPANY, a Delaware corporation (the "Company"), does hereby make, constitute and appoint John M. Stafford, Roger L. Headrick and Edward C. Stringer, and each or any one of them, the undersigned's true and lawful attorneys-in-fact, with full power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as such director and/or officer of the Company to the Company's Form 10-K Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, for the fiscal year ended May 31, 1987, or other applicable form, including any and all exhibits, schedules, supplements and supporting documents thereto, to be filed by the Company with the Securities and Exchange Commission, Washington, D.C., as required in connection with its registration under the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand as of this 2nd day of June 1987.

Allen F. Jacobson

4378/2

THE PILLSBURY COMPANY

POWER OF ATTORNEY
OF DIRECTOR AND/OR OFFICER

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IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand as of this 2nd day of June 1987.

[signature]

4578/2

118

THE PILLSBURY COMPANY

POWER OF ATTORNEY
OF DIRECTOR AND/OR OFFICER

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of THE PILLSBURY COMPANY, a Delaware corporation (the "Company"), does hereby make, constitute and appoint John M. Stafford, Roger L. Headrick and Edward C. Stringer, and each or any one of them, the undersigned's true and lawful attorneys-in-fact, with full power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as such director and/or officer of the Company to the Company's Form 10-K Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, for the fiscal year ended May 31, 1987, or other applicable form, including any and all exhibits, schedules, supplements and supporting documents thereto, to be filed by the Company with the Securities and Exchange Commission, Washington, D.C., as required in connection with its registration under the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand as of this 2nd day of June 1987.

4578/2

THE PILLSBURY COMPANY

POWER OF ATTORNEY
OF DIRECTOR AND/OR OFFICER

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IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand as of this 2nd day of June 1987.

James W. McLamore

4578/2

THE PILLSBURY COMPANY

POWER OF ATTORNEY
OF DIRECTOR AND/OR OFFICER

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IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand as of this 2nd day of June 1987.

[signature]

45/E72

121

THE PILLSBURY COMPANY

POWER OF ATTORNEY
OF DIRECTOR AND/OR OFFICER

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of THE PILLSBURY COMPANY, a Delaware corporation (the "Company"), does hereby make, constitute and appoint John M. Stafford, Roger L. Headrick and Edward C. Stringer, and each or any one of them, the undersigned's true and lawful attorneys-in-fact, with full power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as such director and/or officer of the Company to the Company's Form 10-K Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, for the fiscal year ended May 31, 1987, or other applicable form, including any and all exhibits, schedules, supplements and supporting documents thereto, to be filed by the Company with the Securities and Exchange Commission, Washington, D.C., as required in connection with its registration under the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand as of this 2nd day of June 1987.

4578/2

THE PILLSBURY COMPANY

POWER OF ATTORNEY
OF DIRECTOR AND/OR OFFICER

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IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand as of this 2 day of June 1987.

G. Pillsbury

4578/2

THE PILLSBURY COMPANY

POWER OF ATTORNEY
OF DIRECTOR AND/OR OFFICER

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of THE PILLSBURY COMPANY, a Delaware corporation (the "Company"), does hereby make, constitute and appoint John M. Stafford, Roger L. Headrick and Edward C. Stringer, and each or any one of them, the undersigned's true and lawful attorneys-in-fact, with full power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as such director and/or officer of the Company to the Company's Form 10-K Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, for the fiscal year ended May 31, 1987, or other applicable form, including any and all exhibits, schedules, supplements and supporting documents thereto, to be filed by the Company with the Securities and Exchange Commission, Washington, D.C., as required in connection with its registration under the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand as of this 2nd day of June 1987.

4578/2

THE PILLSBURY COMPANY

POWER OF ATTORNEY
OF DIRECTOR AND/OR OFFICER

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of THE PILLSBURY COMPANY, a Delaware corporation (the "Company"), does hereby make, constitute and appoint John M. Stafford, Roger L. Headrick and Edward C. Stringer, and each or any one of them, the undersigned's true and lawful attorneys-in-fact, with full power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as such director and/or officer of the Company to the Company's Form 10-K Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, for the fiscal year ended May 31, 1987, or other applicable form, including any and all exhibits, schedules, supplements and supporting documents thereto, to be filed by the Company with the Securities and Exchange Commission, Washington, D.C., as required in connection with its registration under the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand as of this 2nd day of June 1987.

4578/2

125

THE PILLSBURY COMPANY

POWER OF ATTORNEY
OF DIRECTOR AND/OR OFFICER

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of THE PILLSBURY COMPANY, a Delaware corporation (the "Company"), does hereby make, constitute and appoint John M. Stafford, Roger L. Headrick and Edward C. Stringer, and each or any one of them, the undersigned's true and lawful attorneys-in-fact, with full power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as such director and/or officer of the Company to the Company's Form 10-K Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, for the fiscal year ended May 31, 1987, or other applicable form, including any and all exhibits, schedules, supplements and supporting documents thereto, to be filed by the Company with the Securities and Exchange Commission, Washington, D.C., as required in connection with its registration under the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand as of this 21 day of June 1987.

4578/2

126

THE PILLSBURY COMPANY

POWER OF ATTORNEY
OF DIRECTOR AND/OR OFFICER

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of THE PILLSBURY COMPANY, a Delaware corporation (the "Company"), does hereby make, constitute and appoint John M. Stafford, Roger L. Headrick and Edward C. Stringer, and each or any one of them, the undersigned's true and lawful attorneys-in-fact, with full power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as such director and/or officer of the Company to the Company's Form 10-K Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, for the fiscal year ended May 31, 1987, or other applicable form, including any and all exhibits, schedules, supplements and supporting documents thereto, to be filed by the Company with the Securities and Exchange Commission, Washington, D.C., as required in connection with its registration under the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand as of this 2nd day of June 1987.

John M. Stafford

4578/2

THE PILLSBURY COMPANY

POWER OF ATTORNEY
OF DIRECTOR AND/OR OFFICER

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IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand as of this 2nd day of June 1987.

Peter G. Ulrey

4578/2

END

FILMED
AUGUST 1987