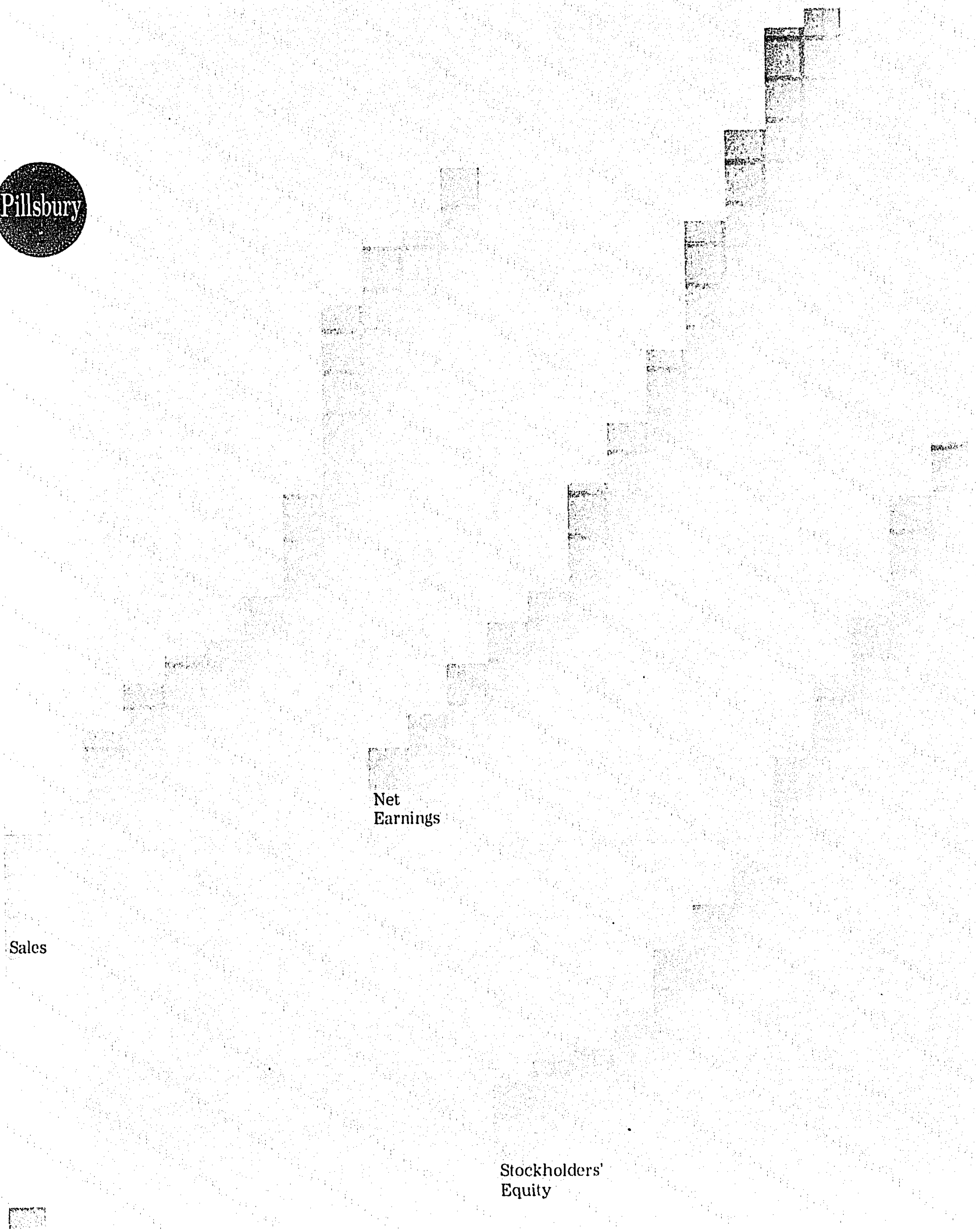
1983 Annual Report

Pillsbury



Directors

William H. Spoor,[1,2]
Chairman of the Board and
Chief Executive Officer

Winston R. Wallin,[1,2,6]
President and
Chief Operating Officer

W. Michael Blumenthal,[2,4]
Chairman of the Board and
Chief Executive Officer,
Burroughs Corporation, Detroit

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Chairman of the Board and
Chief Executive Officer,
Chili's, Inc., Dallas

Donald R. Dwight,[1,3,4]
Chairman of the Board,
Newspapers of New England, Inc.,
Minneapolis

Caro E. Luhrs, M.D.,[3,4,6]
Physician/Consultant,
Washington, D.C

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Chairman Emeritus,
Burger King Corporation,
Miami

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President, Willys H. Monroe,
CMC, Inc., Chicago

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President, Continental Illinois
National Bank and Trust
Company, Chicago

George S. Pillsbury,[1,3,4]
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Sargent Management Company,
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Chairman of the Board and
Chief Executive Officer,
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George J. Sella, Jr.,[2,4,5]
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Chief Executive Officer,
American Cyanamid Company,
Wayne, NJ

John M. Stafford,[1]
Executive Vice President and
President, Consumer Foods
Group

John C. Whitehead,[2,4]
Senior Partner,
Goldman, Sachs & Co., New York

Peter G. Wray,[3,4]
Chairman of the Board,
The Victorio Company, Phoenix

Philip W. Pillsbury,
Chairman Emeritus

Paul S. Gerot,
Chairman Emeritus

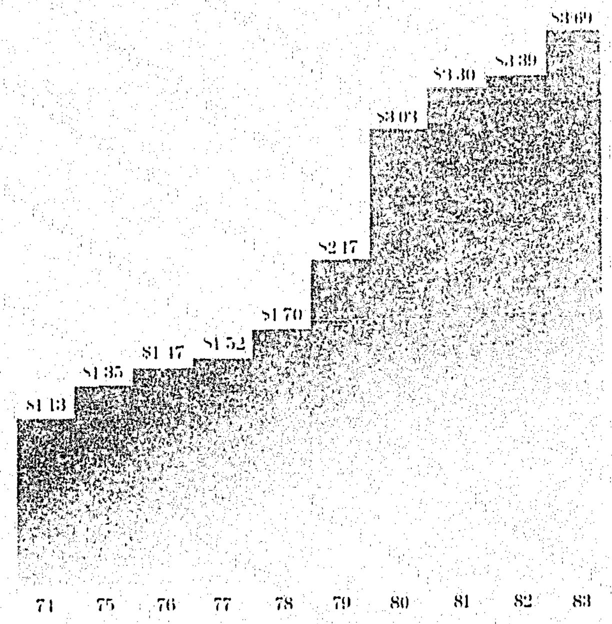
Committees of the Board
1. Executive
2. Finance
*3. Audit**
*4. Nominating**
*5. Executive Compensation**
6. Public Responsibilities

**Composed entirely of non employee Board members.*

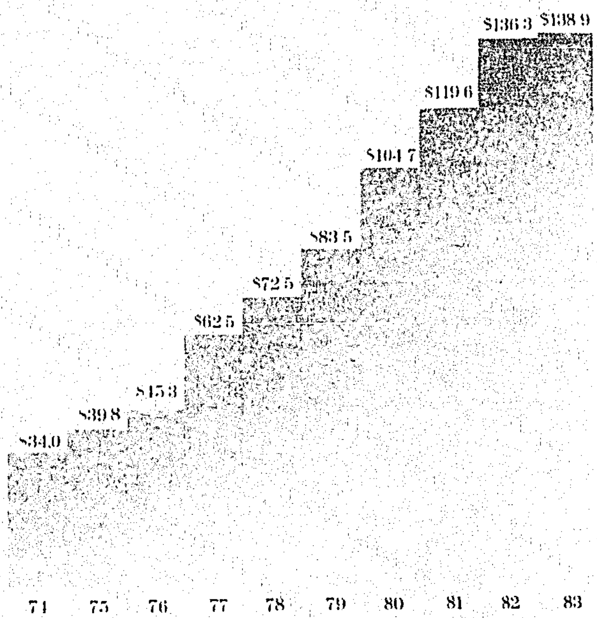
The cover depicts 12 consecutive years of increased sales, net earnings and cash dividend payments.

Highlights

	Year ended May 31 1983	1982	Increase (decrease)
	(In millions except per share amounts)		
Net sales	**$3,685.9**	$3,385.1	9%
Net earnings	**138.9**	136.3	2
Cash dividends	**52.5**	47.2	11
Capital expenditures	**243.9**	208.5	17
Stockholders' equity	**956.4**	890.0	7
Return on average equity	**15.0%**	16.6%	(10)
Return on average invested capital	**18.2%**	19.0%	(5)
Average number of shares outstanding	**21.7**	21.7	
Per share:			
Net earnings	**$ 6.39**	$ 6.29	2%
Cash dividends	**2.42**	2.18	11
Stockholders' equity	**44.19**	41.03	8



Net sales
Billions



Net earnings
Millions

To Our Stockholders:

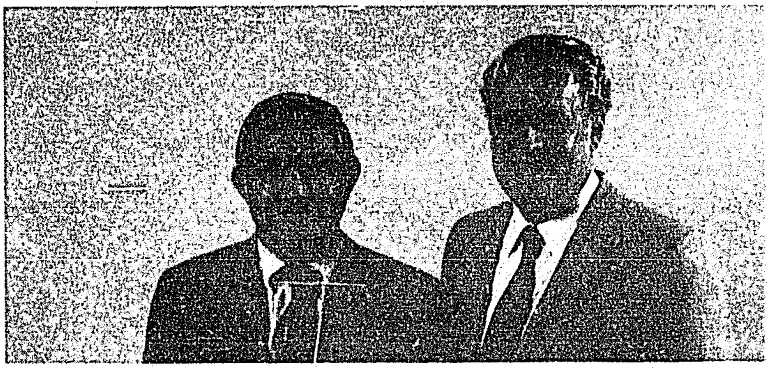
We are gratified to report that fiscal 1983 was our 12th consecutive year of increased sales, earnings and dividend payments to you.

The achievement of these records is a tribute to the 56,000 employees of the company who skillfully adapted to difficult worldwide economic conditions; to our customers and consumers who continue to purchase our products because of their established quality and value; to the dependability of our fine suppliers and, to you, our 19,000 stockholders for your continuing support.

Year in Review

Fiscal 1983 was a year of excitement. Burger King concentrated on the basics of its business, added innovatively to its operating and marketing programs and created new vitality in sales and profitability. Bennigan's, a highly successful restaurant concept, increased in size from 66 to 109 units. In Consumer Foods, more than a score of new products and expanded lines made their debut in our nation's food stores and many more were under development.

Early in June of this year we announced a definitive agreement to acquire Häagen-Dazs, the nation's leading producer of super-premium quality ice cream. This acquisition was finalized early in July and is a fine addition to our family of premier quality products and provides your Company with another exciting growth opportunity.



William H Spoor   *Winston R Wallin*

In June of this year, we also acquired Hofmann Menü, a producer of quality frozen entree products located in West Germany.

We also continued our program of divesting businesses that did not meet our criteria for growth and return. During the year we sold Poppin Fresh Restaurants which, while profitable, did not offer adequate long-range potential.

Fiscal 1983 was not without disappointments. Agri-Products operating profit declined 43 percent from the prior year as softness in commodity based businesses and losses in the transportation segment of grain merchandising continued. We are in the process of repositioning these businesses to respond to the currently troubled U.S. agricultural environment.

While our Consumer Foods Group enjoyed record sales and operating profits, volume declined in some product categories and we are responding aggressively to this situation.

Burger King International continued in a loss position and we have initiated programs to improve operations abroad.

However, on balance, fiscal 1983 was unquestionably, "Pillsbury's Best".

Financial Overview

Pillsbury ended its fiscal 1983 in a strong financial position. Debt to total capital for the parent company and non-restaurant subsidiaries was 22 percent, compared with 23 percent at the end of fiscal 1982.

Capital spending for fiscal 1983 was $243.9 million compared with $208.5 million in fiscal 1982. Plans for fiscal 1984 call for capital spending of $290 million. As in fiscal 1983, capital expenditures for the current year will be concentrated heavily in the Restaurant Group.

Dividend Increased

On September 14, 1982, the Board of Directors approved an increase in the quarterly cash dividend to an annual rate of $2.48, an increase of 11 percent. It was the 25th consecutive year of increased dividends and the 55th year of uninterrupted dividends.

Changes in Board of Directors

In September, we welcomed Mr. George J. Sella, Jr., President and Chief Executive Officer of American Cyanamid Corporation, to the Board of Directors and in January, Mr. John M. Stafford, President of Pillsbury's Consumer Foods Group, was elected the newest Board member.

Leo H. Schoenhofen

Leo H. Schoenhofen, former Chairman and Chief Executive Officer of Marcor, Inc., retired from our Board. We will miss his support, thoughtful counsel and many contributions to your company's success.

Corporate Citizenship Commitment

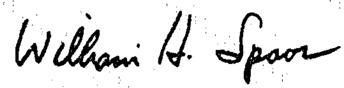
In May, The Pillsbury Company was honored with the prestigious Keystone Award presented by the Minneapolis and St. Paul Chambers of Commerce for the leadership role the company played in bringing together businesses, churches and synagogues, governmental agencies and the general public in supplying food for the less fortunate in Minnesota's Iron Range, the Twin Cities, Dallas and Miami. During the year, Pillsbury's charitable contributions were $3.8 million. We will continue to pursue our objective of sharing our successes as a corporation with deserving groups and individuals.

Outlook Is Bright

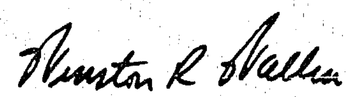
We are enthusiastic about our prospects for the future. We are entering a period of real economic growth which is expected to increase disposable personal income, a factor that favorably affects both our Consumer Foods and our Restaurant Groups. We are confident that our Agri-Products Group will improve its performance as a result of its respositioning efforts.

Throughout the company, we have an excellent and experienced management group solidly in place—the strongest we have ever enjoyed. That group, together with the balance of our 56,000-member employee family, are dedicated to maintaining and building the attributes that have made The Pillsbury Company a truly great corporation.

Finally, we invite you to attend our next Annual Meeting of Stockholders. It will be held at 2 p.m., Central Daylight Time on September 13, 1983 at the Guthrie Theater in Minneapolis. We hope to see you there.

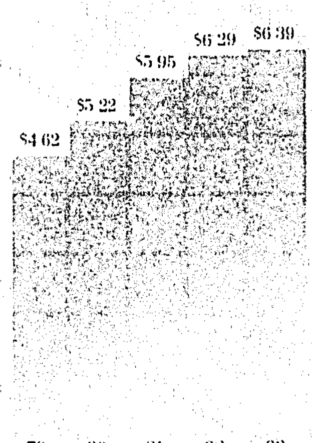


William H. Spoor
Chairman and
Chief Executive Officer

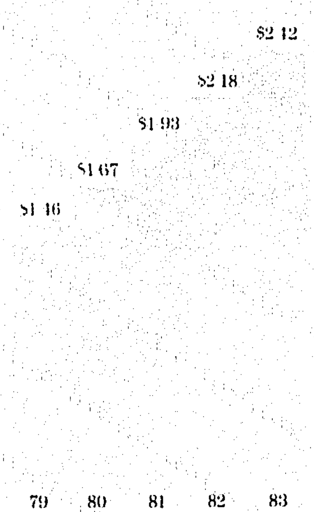


Winston R. Wallin
President and
Chief Operating Officer

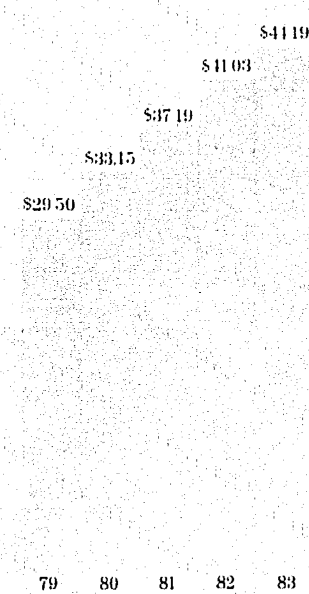
August 1, 1983



Net earnings per share

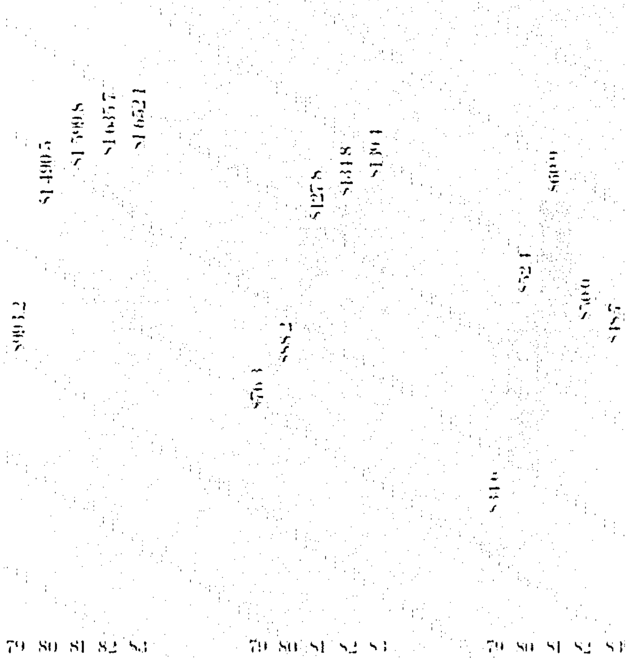


Cash dividends per share



Equity per share

Consumer Foods



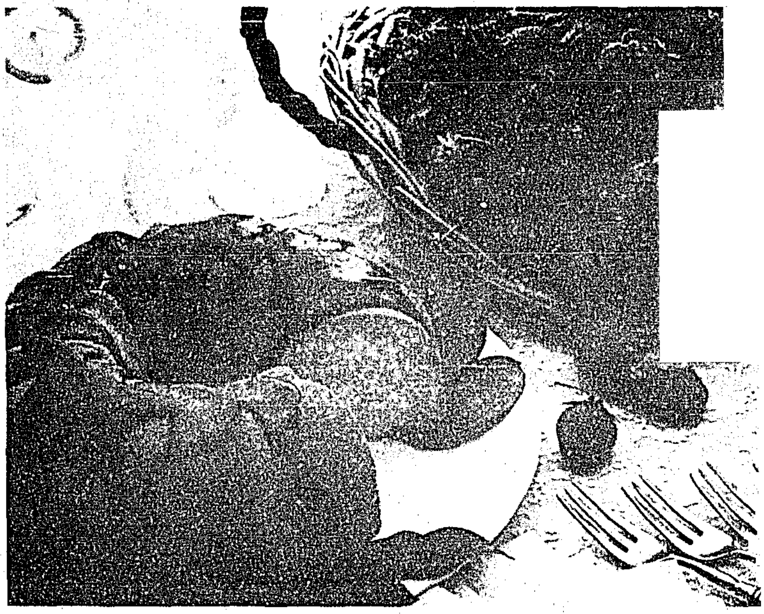
The rapid pace of new product introductions and product line extensions, together with a major concentration on asset management, characterized the performance of Consumer Foods during fiscal 1983. Sales increased modestly while operating profit, excluding unusual items in fiscal 1982, increased 15 percent. Consumer Foods' results include domestic, Canadian and International consumer foods operations.

Highlights of the year for domestic businesses included:

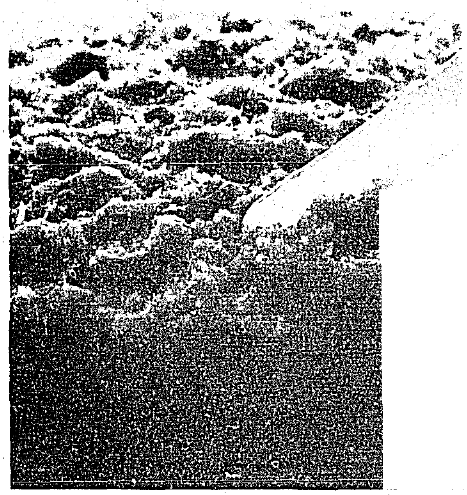
- Sales of $80 million from major new products
- Substantially improved return on invested capital for the entire Group
- A dramatic improvement in profitability from Frozen Foods led by pizza and entrees.
- Major productivity programs helped increase profit margins.
- Raw material costs continued stable.

Fiscal 1983's profit performance, in terms of percentage increases, was led by Frozen Foods followed by Refrigerated Foods and Dry Grocery. All three showed profit increases over year-earlier results.

Continued emphasis on productivity improvement, asset management and expense control also contributed to higher profits. Capital projects designed to reduce manufacturing expense continued. Canned vegetables' sales force was consolidated with the direct sales organization in Dry Grocery. Substantial progress was made in implementing a more efficient distribution network.



Boston Cream Bundt™ Cake: an irresistible blend of moist cake, pudding filling and chocolate frosting makes this new flavor Pillsbury's most popular Bundt.



Coconut Pecan Ready to Spread Frosting (shown here) and Coconut Almond Ready to Spread Frosting, introduced in fiscal 1983, have already become consumer favorites.

New Product introductions exceeded expectations. National new products included All Ready Pie Crust, Pipin' Hot™ Loaf dough, Harvest Fresh® frozen vegetables, two flavors of Ready-to-Spread Frosting, Boston Cream Bundt™ Cake mix and Fudge Jumbles

New products from Consumer Foods must meet or exceed several hurdles before national introduction including; meeting a consumer need, providing premium quality, demonstrating attractive economics and possessing technical or franchise insulation

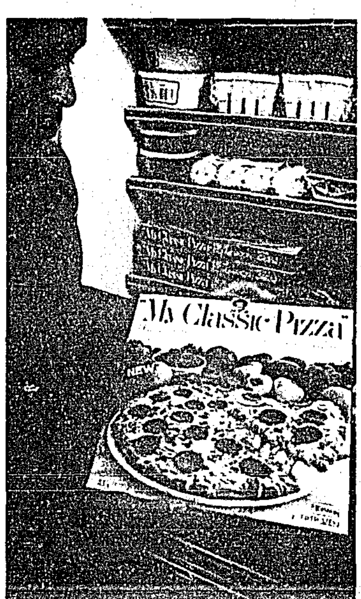
Several new products and product line extensions, developed internally by Pillsbury's research and development efforts, are scheduled for introduction during fiscal 1984.

Acquisitions also play an important role in the Group's growth plans. The purchase of Haagen-Dazs® super premium quality ice cream business will provide a major growth opportunity and adds a major new franchise to the Consumer Foods Group. In addition, B in B® mushrooms, complementing Green Giant's mushroom line, was acquired during fiscal 1983.

Frozen Foods

Frozen Foods enjoyed a very successful year with substantially improved profitability. Increases in pizza and entree volumes were offset by weakness in frozen vegetables.

Pillsbury's line of pizza products, including *Totino's* and Fox Deluxe, continued its strong market leadership position with a year-end market share of approximately 34 percent. Volume increased three percent even though the overall market declined one percent. At year end, an exciting new product introduction was underway with the premium quality "My Classic Pizza" endorsed by its creator, Rose Totino. This new product is being introduced nationally.



A classic choice Totino's "My Classic Pizza", to be introduced nationally this fall, is Pillsbury's newest entry in the deluxe pizza category It features a rich blend of extra sauce, herbs, spices and generous toppings

Frozen entrees successfully implemented programs to increase quality and improve operating efficiencies resulting in profitable operations for fiscal 1983. Volume increased 22 percent due to continuing success of convenient twin pouch and baked entree products and the growing microwave popcorn franchise. Nine line extensions were introduced to broaden Green Giant's base in the premium entree segment.

The national introduction of Harvest Fresh® frozen vegetables featuring sauceless boil-in-a-bag fancy vegetables met with great success. The product line includes corn, green beans, peas, broccoli, mixed vegetables and lima beans.

Green Giant maintained its clear market leadership in box-prepared vegetables and frozen corn-on-the-cob.

Dry Grocery

Dry Grocery products recorded a modest increase in profitability. Margins improved in all business divisions as a result of major productivity programs including a sales force consolidation, a streamlined distribution network and improved plant performances.

Several new products and line extensions were launched during fiscal 1983. Last fall, Coconut Almond and Coconut Pecan Ready-to-Spread frostings, and Boston Cream Bundt™ entered national distribution. This spring, Fudge Jumbles made its national debut and quickly gained excellent consumer acceptance.

During the year, grocery product volume increased three percent as strong #1 and #2 market share positions were improved with share gains in family flour, Figurines, diet meal bars, pancake mixes, large cakes and brownies. Despite a 21 percent increase in volume, intense competition from new producers in ready-to-spread frostings markets led to a small decline in Pillsbury's market share.

Canned vegetables enjoyed a most profitable year as margins improved. Volumes declined eight percent reflecting downsizing of the business to a more stable and predictable base and further curtailment of non-fancy brands. Green Giant and LeSueur brand vegetables maintained their #1 or #2 market leadership position.

Harvest Fresh makes it a special occasion.

Harvest Fresh by Green Giant, featuring no sauce added vegetables including peas, corn, green beans, lima beans and mixed vegetables, will be expanded in fiscal 1984. This high quality product line has broad consumer appeal

Business Officers

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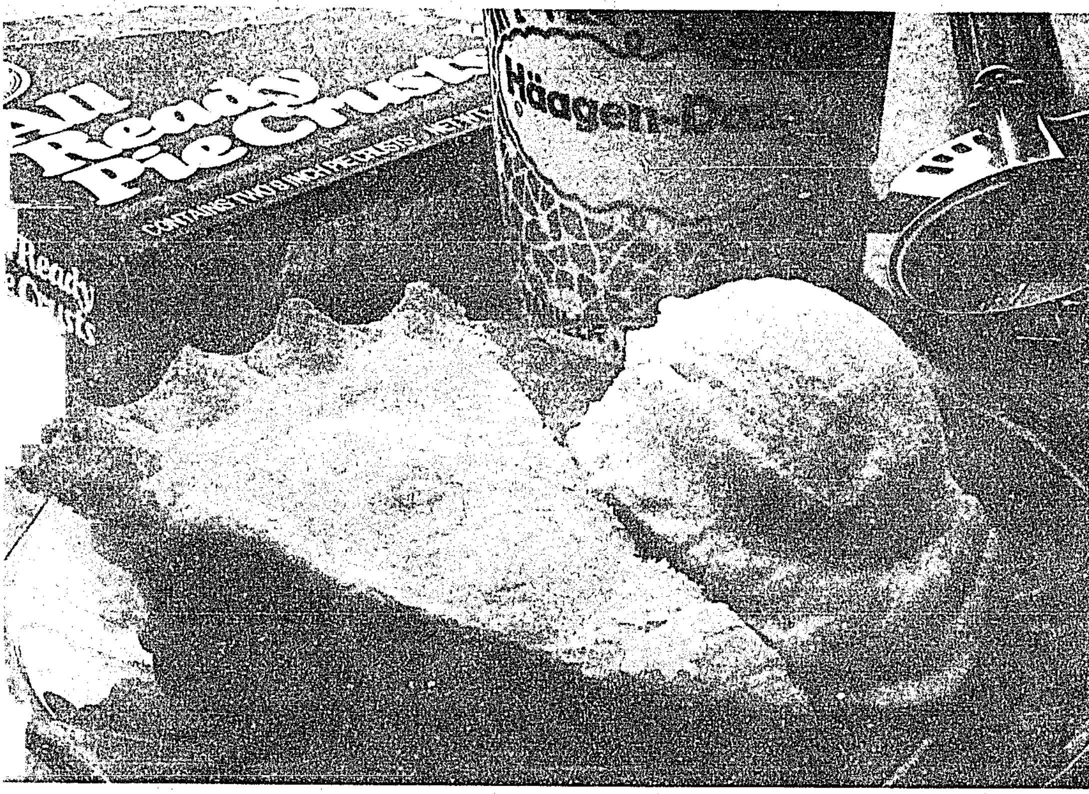
John M. Stafford*

Group Vice Presidents
Kent C. Larson*
Thomas R. McBurney*

Senior Vice Presidents
James R. Behnke*
Raymond V. Kimrey*

Vice Presidents
Jerry L. Ford*
Charles H. McGill*
W. Don Norris*
Donald A. Osell*
Anthony L. Scherber*
Howard E. Bauman
John E. Dixon
L. Thomas Gartner
Edward A. Januschka
Mary Ellen Jenks
Gary F. Klingl
Joel Levine
Robert L. Lindsay, Jr.
Daniel J. Locke
Lloyd V. Lofgren
Warren G. Malkerson
George F. McCarthy
W. Richard Nickel, III
Kenneth A. Pond
Kenneth J Reis
Jimmy A. Shadler
Jolyon A. Stein
Michael W. Symeonides
Rose W. Totino
Kenneth J. Valentas
Larry P. Youngblood

*Consumer Foods Management Committee



A compatible combination: the newest member of the Pillsbury family of premier food products—Häagen Dazs ice cream—is the perfect complement to a pie made with Pillsbury's new All Ready Pie Crust

Refrigerated Foods

Pillsbury continued to enjoy its number one market position in Refrigerated Foods during fiscal 1983. Volumes increased for the second year due to new product introductions and sales and operating profits reached record levels.

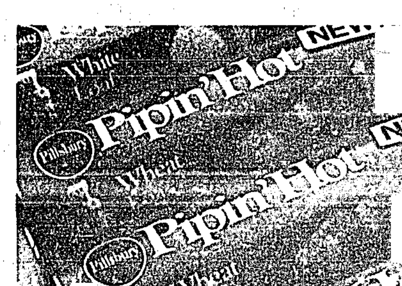
Early in the fiscal year, Pipin' Hot Loaf and All Ready Pie Crust made their debut and met with broad consumer acceptance. All Ready Pie Crust was introduced nationwide and Pipin' Hot Loaf was distributed in approximately 80 percent of the country. National distribution will be completed during fiscal 1984. Advertising expenditures for the year increased nearly 33 percent, largely in support of these exciting new products.

A wheat variety of Pipin' Hot Loaf is currently enjoying excellent results in test markets and plans are underway to introduce this line extension during fiscal 1984.

Outlook

There are many bright prospects for Consumer Foods in fiscal 1984. Häagen-Dazs adds an exciting new dimension for growth as it becomes the newest member of the Consumer Foods family of major franchises. New product introductions, together with those introduced during the past fiscal year, will contribute to growth. Core businesses also anticipate strong performances. These factors, together with a continuation of asset management and productivity programs, are expected to give Consumer Foods another year of record sales and operating profit in fiscal 1984.

A new Pipin Hot Loaf—wheat flavor—joins the white flavor loaf to meet growing demand for this successful new product.



International

The International Group's business portfolio includes consumer foods operations in Canada, Western Europe, Latin America and Japan and flour milling in Latin America and the Far East and consumer foods exports.

Pillsbury's International Group, despite the strength of the U.S. dollar against foreign currencies, produced record operating profit for fiscal 1983. For reporting purposes those results are included as part of Consumer Foods.

Pillsbury Canada, Ltd., operating in a severe recessionary environment during fiscal 1983, experienced volume declines that unfavorably affected most elements of the business. During the year, the Pillsbury and Green Giant legal entities were consolidated and the Imperial Bake N' Serve business was sold. A projected economic recovery and a streamlined business base are expected to contribute to improved Canadian results in fiscal 1984.

In the United Kingdom, H.J. Green maintained its leadership position in cake mixes with a market share in excess of 50 percent. Hammonds Sauce Co., Ltd., acquired in fiscal 1982, recorded significant volume gains utilizing the H.J. Green sales force.

Erasco, the West German producer of canned dish-ready meals, continued to set new volume and profit records. Jokisch, a major manufacturer of canned meals acquired in fiscal 1982, stabilized its position and, together with Erasco, the two branded products enjoyed a combined 45 percent share of the West German dish-ready meal market.

In June 1983, Pillsbury's presence in West Germany was further strengthened with the tactical acquisition of Hofmann Menü, a regional manufacturer of high quality, frozen prepared meals for the industrial market.

The Gringoire Brossard group of companies in France and Belgium reported near record profits for fiscal 1983. Several new product lines were launched and a major facility consolidation is scheduled for completion late this year.

Gringoire Brossard. Cakes to tempt French palates

In Venezuela, real volume growth in the pasta business contributed to a record profit for Mocama/Milani, despite troubled economic conditions. The company maintained its leadership position in the important medium-priced segment with about one-third of the market.

Mexico's unpredictable economy had a direct impact on the pasta and flour business of Grupo, Pillsbury's joint venture. Major capacity expansions for both flour and pasta contributed to record volumes and Grupo improved its market share positions.

The flour mill in Jamaica in which Pillsbury has a minority interest, had an excellent year, reporting record volume and profits. Construction is under way on the mill expansion, a doubling of capacity that will be completed in early 1984.

The Consumer Export Division, marketers of Pillsbury consumer products outside of the United States, also achieved record volume and operating earnings. The world market for canned sweet corn, a major product line, continued to grow in fiscal 1983, primarily in France, where volume increased more than 25 percent over the previous year

In the Asia/Pacific region, Pillsbury's joint venture with the Snow Brand Milk Products company in Japan had a difficult year but a well-accepted product and recent structural changes in the venture promise better results in the future. Pilmico, the Philippine flour milling and consumer products company in which Pillsbury holds a minority interest, produced another excellent performance. As the year ended, other new business activities were being explored in Hong Kong, Taiwan and elsewhere in the Pacific region, markets that Pillsbury thinks offer significant long-term opportunities.

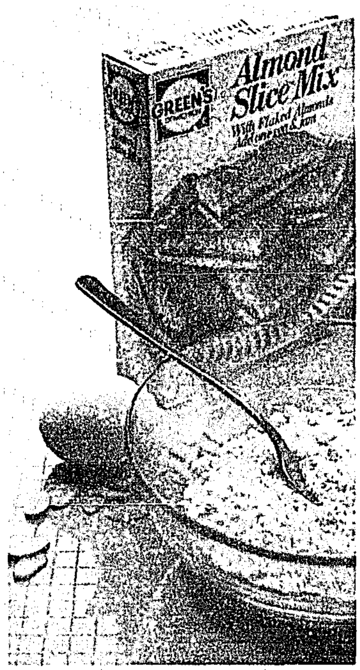
Outlook
The International Group expects to continue its expansion by building on its strong core business portfolio through tactical acquisitions and internal development. However, the strength of the U.S. dollar against foreign currencies will continue to dilute reported earnings.

Group Vice President
John L. Morrison*

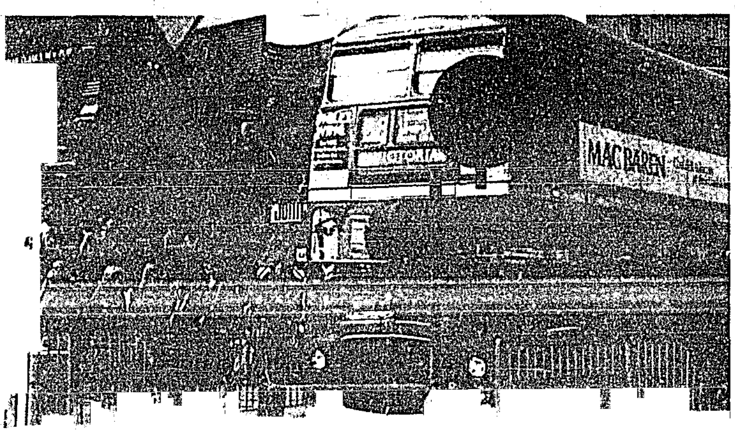
Vice Presidents
Jock A. Flournoy*
Grahame R. Francis*
John C. Lenker*

Country Managers
William G. Bullis, Jamaica
Hans-Joachim Denecke, West Germany
Michael S. Dingee, Venezuela
Peter Hamm, Guatemala
Masami Iketani, Japan
J. Thomas Kirchner, Mexico
Donald E. Loadman, Canada
Don Moraza, Philippines
Bruce A. Noble, United Kingdom
Victor Scherrer, France

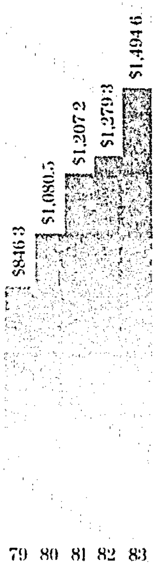
*International Group Management Committee



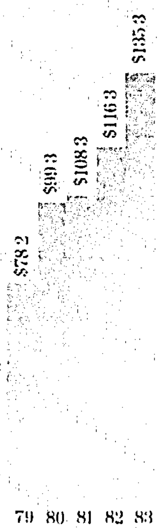
H-J Green's dessert mix, a British favorite.



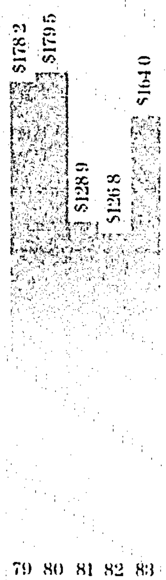
Restaurants



Net sales
(Millions)



Operating profit
(Millions)



Capital expenditures
(Millions)

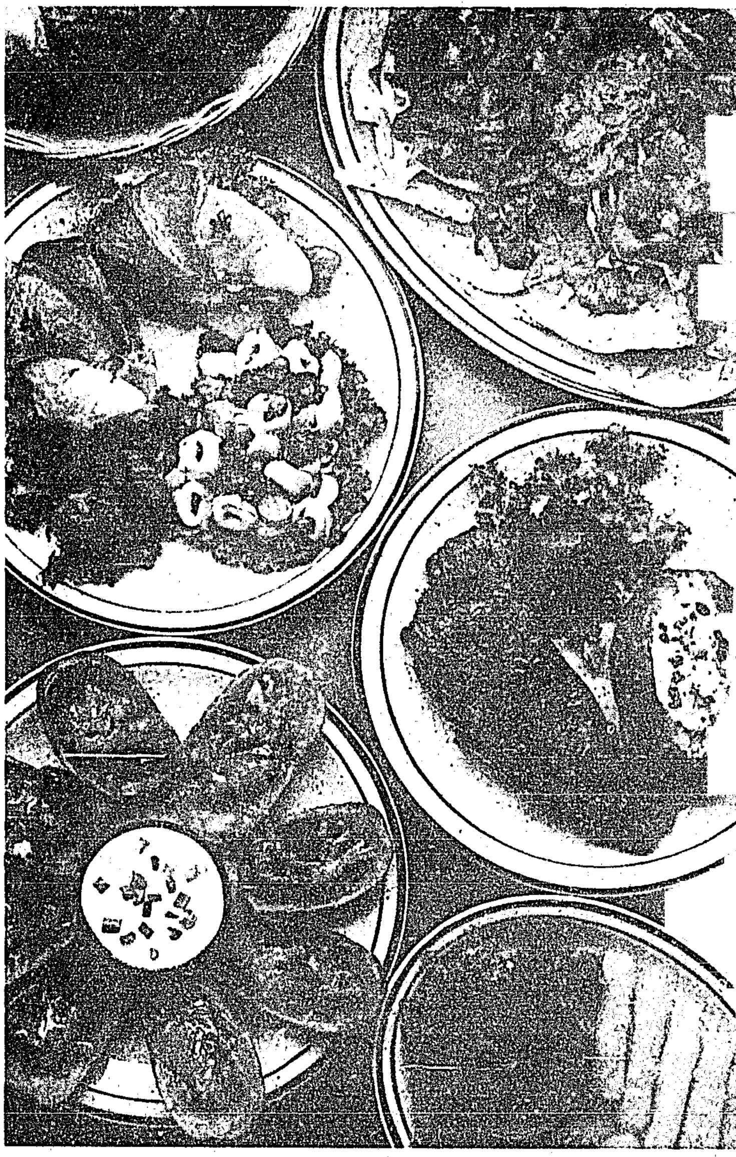
Pillsbury's Restaurant Group enjoyed a highly successful year recording a 17 percent increase in sales and a 16 percent increase in operating profits, (23 percent excluding unusual items). The record-breaking results were even more significiant as they were achieved in a soft economic environment.

Burger King's progress under a new management team was achieved with innovative operational and marketing programs that capitalized on basic business strengths. During fiscal 1983, emphasis centered on the high quality of and preference for Burger King® products featured in a nationwide advertising campaign that attracted heavy media coverage—further stimulating sales vitality.

S&A Restaurant Corp., which includes Steak and Ale® and Bennigan's® restaurant concepts, also continued to set new records as the Bennigan's concept was expanded from 66 to 109 restaurants at the end of fiscal 1983. In June, 1983, several management team members were promoted to direct day-to-day operations.

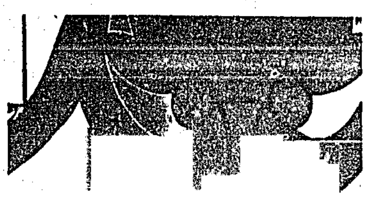
Both S&A and Burger King now enjoy one of the strongest and most creative management teams in the history of Pillsbury's Restaurant Group.

During fiscal 1983, the Poppin Fresh® Pie Shop concept was sold.



A mouthwatering menu from Bennigan's Restaurants offers great eating adventures to meet each diner's taste

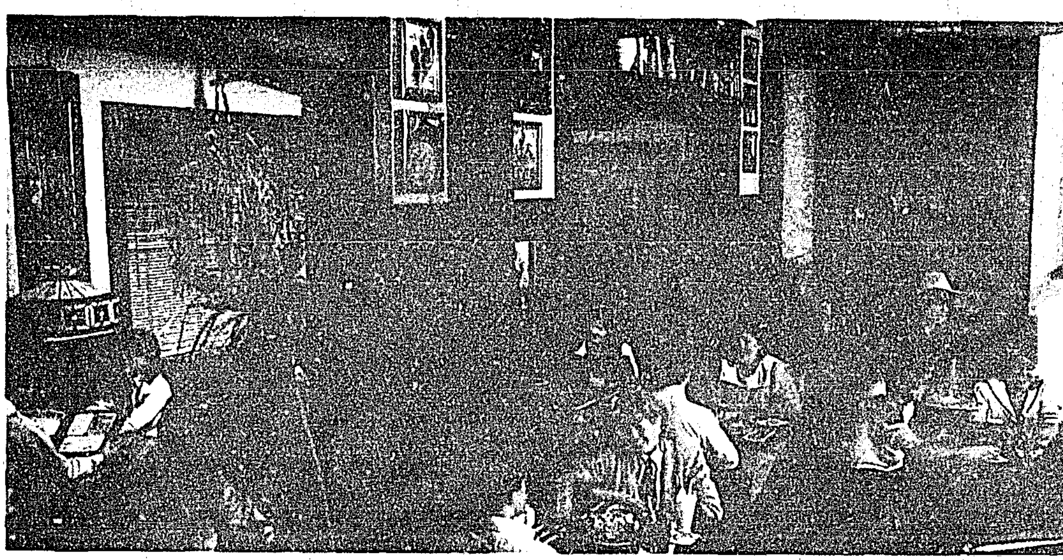
Steak and Ale Restaurants: elegance and excellence are maintained in food, atmosphere and service.



S&A Restaurant Corp.
Fiscal 1983 was a highly successful year for S&A Restaurant Corp. Total sales increased 22 percent and operating profit increased 28 percent.

In the Steak and Ale concept, average unit sales reached $1,312,000. This was an increase of ten percent in real terms, after adjusting for pricing. Management programs in fiscal 1983 were directed toward maintaining this strong sales vitality:

- New items were added to satisfy continuing customer demand for quality and variety.
- Wine sales were strongly promoted, with emphasis on premium brands.
- New creative advertising was developed for television, featuring "lifestyle" themes.
- 62 restaurants were remodeled with updated decor packages.
- 22 units were sold as part of the ongoing asset management program.



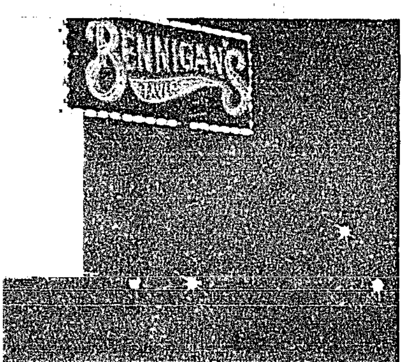
A Bennigan's evening great food and fun are combined at Bennigan's Restaurants making them one of the country's most popular and fastest growing eating establishments

Fiscal 1984 plans call for opening new Steak and Ale units in selected high potential locations. Management emphasis will continue to be placed on volume vitality and maintaining the current high levels of return on investment from this concept.

Bennigan's concept continued to fulfill its role as a major expansion vehicle. During the year, 43 new restaurants were opened, a 65 percent rate of expansion. The key factors in achieving this rapid expansion are the quality of site selection and the successful recruiting and training of management resources.

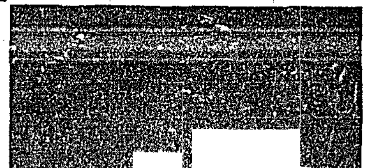
Average unit sales for Bennigan's increased four percent to $2,364,000 in fiscal 1983. Both sales and operating profits for this concept remain very attractive.

TV and radio advertising were both used to support sales in Bennigan's. A major factor in the appeal of this concept is the broad menu emphasizing price value. Several menu changes were made in fiscal 1983 to ensure that consumers' evolving needs are satisfied. Another significant feature of the concept is the popularity of certain occasions such as Halloween and St. Patrick's Day, which are supported by major promotional activties in the restaurants.



Bennigan's—fine food, exciting atmosphere

Haagen-Dazs "Dipping Stores" became part of the Pillsbury famil in July



Burger King Corporation

Burger King, the nation's premier "quality" fast food hamburger chain, set new records with a 17 percent sales increase and an operating profit increase of nine percent. Operating profit includes an $11.9 million charge for the write down of assets including the closing of some restaurants and a $4.1 million gain from the sale of the Burger King office building.

Systemwide sales increased 19 percent to $2.8 billion while average annual sales for all restaurants reached $839,200, an 11 percent improvement over sales of the prior year. For the domestic system, sales of company-owned stores reached $927,400, an increase of 10 percent. At year end, 729 restaurants reported sales in excess of $1 million, 306 more than in fiscal 1982.

During fiscal 1983, the company opened 270 new restaurants bringing the worldwide total to 3,502. Burger King franchisees opened 227 of the units built in fiscal 1983, demonstrating their continuing strong support of the concept.

Most new restaurants opened during 1983 were new BK-50 units, designed to take advantage of current economic and demographic trends. The modest sized BK-50 requires less capital to develop, fewer people to operate and less time to construct. Yet, they can comfortably handle sales in excess of $1 million and can be expanded as increased sales warrant.

In fiscal 1983, Burger King launched one of the most innovative and successful marketing campaigns ever conducted by the industry. As part of a comprehensive program started in fiscal 1982 with the "Aren't You Hungry?" campaign, the "Battle of the Burgers" and the "Broiling is Better" sub-campaigns propelled both sales and awareness to new records.

Television's first media coupon encouraged consumers to receive a free Whopper® sandwich with the purchase of another by simply saying, "The Whopper® beat the Big Mac®". Thousands of customers visited Burger King and many restaurants reported sales increases of more than 100 percent during the promotion.

Emphasis also continued on operation excellence as Burger King's "Shape-Up" program continued to concentrate on new standards of quality, training and service.

Burger King commercials became the talk of the country for their candid creativity

New products helped to generate higher sales. The Bacon Double Cheeseburger, introduced last year, continued to produce repeat business several months after its initial introduction as did the Whaler® fish sandwich. During fiscal 1984 a new, 23-item salad bar will be introduced nationally, offering an attractive menu alternative.

Distron, Burger King's supply and distribution division, continued its profitable and successful role as an independent supplier to restaurant customers.

Bacon Double Cheeseburger Burger King's newest success story

The BK 50—a streamlined new restaurant design created for greater efficiency and productivity—is becoming the new standard for Burger King

While Burger King's domestic business was highly successful, its International operations produced substantial operating losses. Burger King executive management is concentrating on transferring basic marketing, operations, franchising and financial strategies that worked successfully in the United States to Canadian and International markets. A comprehensive, world-wide marketing program has been developed, several unprofitable restaurants were closed and the same management team that led to U.S. progress has expanded its responsibilities to cover Canada and International.

Attractive and enticing salad bars will make their national debut in Burger King restaurants

Outlook

The Restaurant Group is anticipating continuing sales and operating profit increases for fiscal 1984. Burger King's domestic operations will be expanded by approximately 246 new restaurants with 24 percent of those being Company owned. New marketing programs will be launched in late summer and early fall and programs to achieve operational excellence will continue. Progress is also anticipated from International operations.

S&A Restaurant Corp., anticipates opening nine new Steak and Ale concept restaurants and 40 new restaurants for its Bennigan's concept. Emphasis will continue to be focused on maintaining high return on invested capital.

Selected Restaurant Data

	Restaurants		Average annual sales per domestic unit	
	Opened during fiscal 1983	Open at May 31, 1983	Amount (in thousands)	% Change from prior year
Burger King	270	3,502	$ 838	+12%
Steak and Ale	2	180	1,312	+12
Bennigan's	43	109	2,364	+ 4

Business Officers

Burger King Corporation

Chairman
J. Jeffrey Campbell

President
Jerome B. Ruenheck

Executive Vice Presidents
Kyle T. Craig
Herbert D. Ihle
Larry W. Kohler
William F. Murray

Senior Vice Presidents
John A. Barnes
A. Bruce Craig
Jay O. Darling
William T. deLaet
C. Ronald Petty
Joel J. Weiss
Jerry G. Winter

Vice Presidents
Joseph P. Bisignano
Oliver P. Brown
Herman Cain
Robert A. Cathcart
Guido Espinosa
Steven A. Finn
Suzanne H. Fox
Paul R. Gershen
Robert S. Hill
John G. Johnson
Charels V. Kanan
John H. Kemp, III
Sheldon M. London
Donald G. Manson
William E. Prather
Tony B. Rolland
Ronald E. Schefkind
Douglas R. Schrank
Erving J. Schwartz
Jeffrey J. Seeberger
Allen G. Shuh
J. Gaylon Smith
Robert H. Sorensen
Robert (Steve) Sparling
Paul T. Sutherland
Richard P. White

S&A Restaurant Corp.

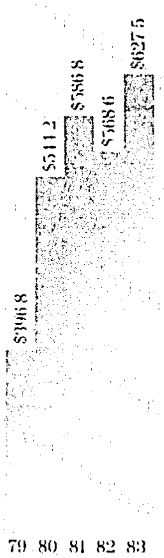
Chairman
Hal W. Smith

President
J. Michael Jenkins

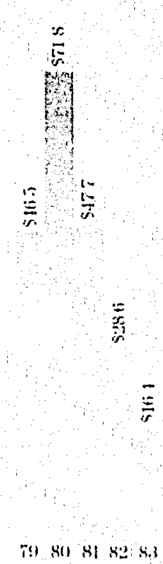
Executive Vice Presidents
Marvin T. Braddock
Richard M. Frank
Chris T. Sullivan
Michael A. Woodhouse

Senior Vice Presidents
Richard B. Berman
John G. Cook

Vice Presidents
Alan G. Anz
Robert Basham
Scott W. Burcham
F. Lane Cardwell
Michael T. Donovan
William R. Floyd
Michael J. Matheny
Eddie M. Palms
Roger F. Thomson



Net sales
(Millions)

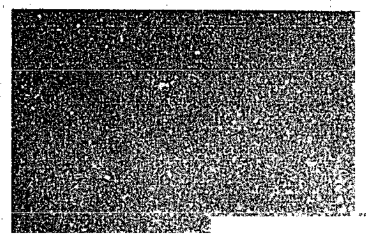


Operating profit
(Millions)

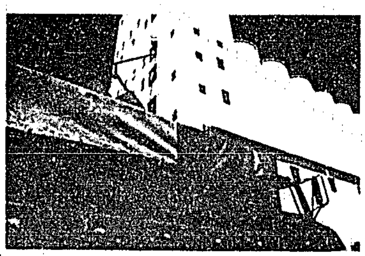
Capital expenditures
(Millions)

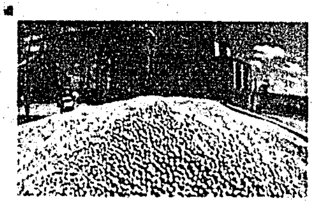
Pillsbury's Agri-Products Group experienced a difficult year in fiscal 1983. The Group's performance reflected a widespread recession in the agricultural economy and operating profit declined 43 percent. The Group's sales increase resulted primarily from the Edible Protein Division, acquired late in fiscal 1982.

Grain Merchandising
Pillsbury's Grain Merchandising Division, including domestic grain origination, export marketing, barge/rail transportation, bulk commodities—functioning as a commodity marketing system—experienced a very difficult year. Losses continued in the transportation segment as barge and rail transportation margins dropped to record lows.

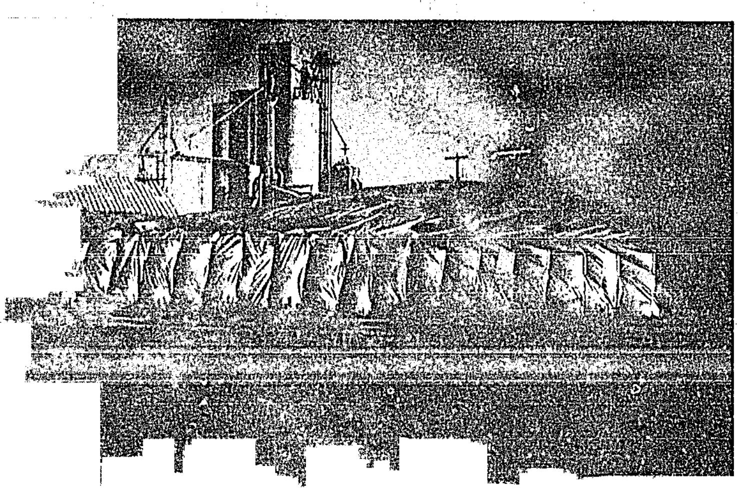


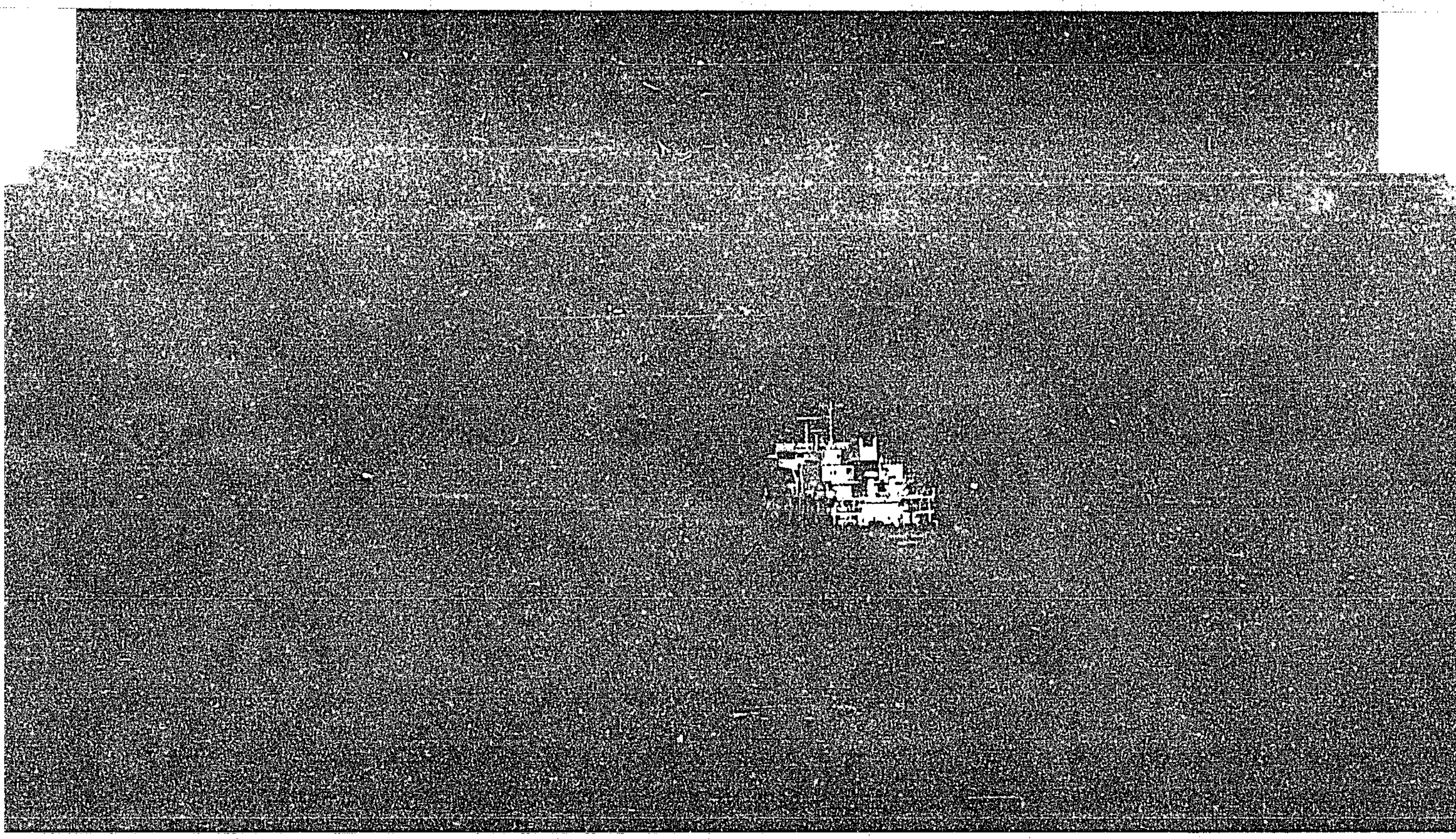
A Federal Government program to provide flour for Egypt resulted in a doubling of the U.S. flour export business and enabled Pillsbury's flour mills to operate close to capacity as the year ended.





Pillsbury, responding to governmental programs, expanded temporary grain storage facilities during the year complementing existing elevator capacity.





The fiscal 1983 performance of Grain Merchandising was also negatively affected by weak export grain demand resulting from depressed worldwide financial and economic conditions and by Federal programs to manage the supply of grains.

As a result of this changing and uncertain agricultural environment, Grain Merchandising management spent much of fiscal 1983 repositioning itself for the future, a process that is continuing in fiscal 1984. The primary objective was, and is, to place this business unit in a responsive stance to react profitably to a projected improvement in the agricultural economy. Assets are, and will be, redeployed; barge and rail commitments were reduced and, selling, general and administrative expenses were cut back.

On the brighter side, bulk commodities handling continued the growth pattern of recent years as volumes increased by nearly 50 percent. In this area, Pillsbury functions as an intermodal handler of such products as coal and fertilizer on the nation's inland waterways system. The strength exhibited in this area will provide substantial help in balancing transportation commitments.

The decisions made during fiscal 1983 to reposition Grain Merchandising will improve Agri-Products ability to become more stable and predictable in its earnings performance.

Industrial Foods

During fiscal 1983 Industrial Foods, which includes flour milling and bakery products, enjoyed record volume, and near record sales and operating profit.

Flour milling operations were close to capacity at year-end as Pillsbury participated in a United States Government program to provide one million metric tons of flour to Egypt. This has resulted in a doubling of United States flour export business and has provided improved running time for the flour milling industry.

Agri-Products

The Los Angeles flour mill expansion was completed late in fiscal 1983, nearly doubling its production capacity. This was Pillsbury's first major flour expansion since the early 1970s and it is expected to be an important contributor to flour milling profitability.

The current outlook for flour milling is strong due to the large surge in export volume. At this point it is not clear whether the high level of Egyptian business will continue through fiscal 1984. Longer-term, the health of flour milling is more contingent upon the vitality of domestic demand which experienced a decline in per capita consumption within the past year. Despite this reduction, there is optimism that flour consumption will resume an increasing trend as the American public gains greater awareness of wheat flour's nutritional attributes as an attractive source of complex carbohydrates.

Bakery products recorded another strong growth year as sales and volumes reached new highs and operating profits increased over fiscal 1982.

Bakery products sells flour based mixes to the bakery industry for the production of donuts, sweet goods, breads, cakes and other baked and fried products. A line of food coatings is marketed to food processors for use in coating fish, meat and vegetables. In addition, branded Pillsbury mixes are marketed to the food service industry which includes institutional and restaurant businesses.

During 1983, progress was made in strengthening Pillsbury's position in each of these markets, despite economic and competitive pressures.

Pillsbury's Industrial Foods Division produces more than 300 different flour based mixes for bakers, donut shops, schools, restaurants, hotels and hospitals

Where the promise of quality begins

Business Officers

President
Richard A. Coonrod

Group Vice Presidents
Russell J. Bragg
Philip J. Lindau
Robbie M. Westmoreland

Vice Presidents
Donald E. Brummer
John R. Cox
David W. Dean
William W. Hay
David B.M. Jones
Charles E. Moore
James A. Woerner

Specialty Commodities

Agri-Products' Specialty Commodities, including feed ingredients, rice and edible protein, were all impacted to varying degrees by depressed agricultural conditions, oversupply and weak margins.

Rice operations continued to be negatively affected by surpluses in world markets and by intense competition for domestic markets, resulting in price and profitability declines. Volume increased slightly and profit improvement is anticipated for fiscal 1984.

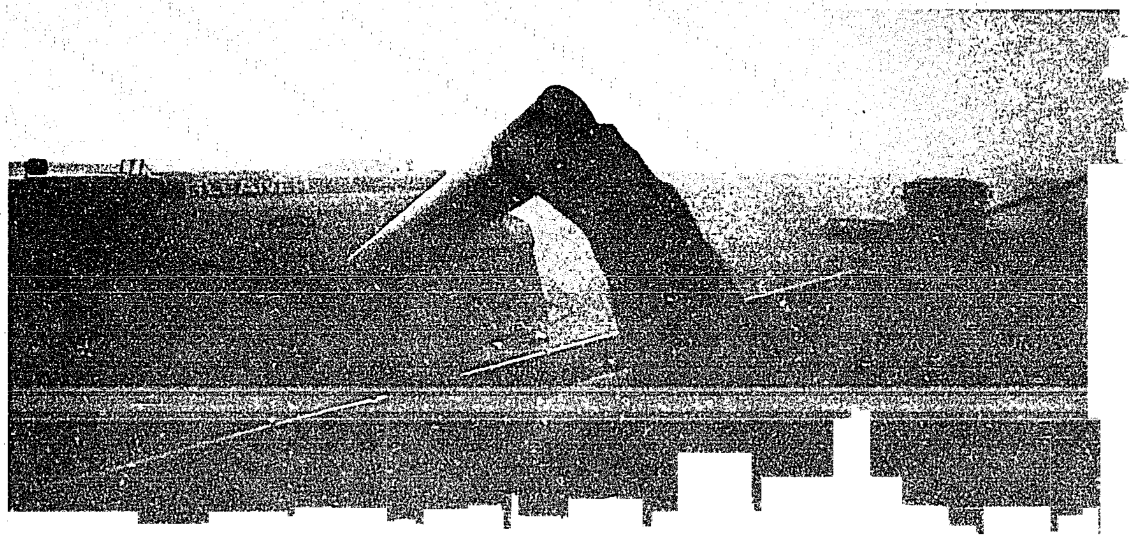
The feed ingredient business unit, serving the animal feed industry, also witnessed a decline in operating profit despite volume gains. Surplus grain supplies resulted in severe price competition and lower margins. However, Pillsbury continued to maintain its share of this market and gains are anticipated for the coming year.

The edible protein unit completed its first full year of operation after being acquired in fiscal 1982. It is the nation's leader in dry edible beans. Despite general softness in all agricultural commodities, the edible protein unit recorded a good performance for fiscal 1983. This business has now been integrated into the Agri-Products Group and operational and other productivity improvements have been implemented, strengthening its prospects for stronger future performances.

Pillsbury's joint venture in a high-speed sunflower oilseed crushing plant was negatively impacted by the economy and a generally depressed vegetable oil industry.

Outlook

Agri-Products, based on its repositioning of Grain Merchandising and a more favorable agricultural environment, anticipates improvement in operating profit for fiscal 1984.



Management Announcements

A series of executive appointments helped further strengthen and broaden the depth of Pillsbury's management.

- J. Jeffrey Campbell, to Chairman and Chief Executive Officer, Burger King Corporation and a Pillsbury Vice President, from President, Worldwide Burger King Operations.
- Hal W Smith, to Chairman and Chief Executive Officer, S & A Restaurant Corp. and a Pillsbury Vice President, from President and Chief Operating Officer of S&A
- J Michael Jenkins, to President and Chief Operating Officer, S&A Restaurant Corp., from Executive Vice President, Steak and Ale Concept
- John L. Morrison, to Group Vice President, International Group, from Vice President, International Group
- Russell J. Bragg, to Group Vice President, Grain Merchandising, Agri-Products Group, from Vice President and General Manager, Grain Merchandising.
- Philip J. Lindau, to Group Vice President, Specialty Commodities, Agri Products Group, from Vice President and General Manager, Feed Ingredients and Edible Protein.
- Robbie M. Westmoreland, Jr., to Group Vice President, Industrial Foods, Agri-Products Group, from Vice President and General Manager, Bakery Products
- Charles S Olcott to Treasurer and Vice President, Investor Relations from Assistant Treasurer and Vice President, Investor Relations.

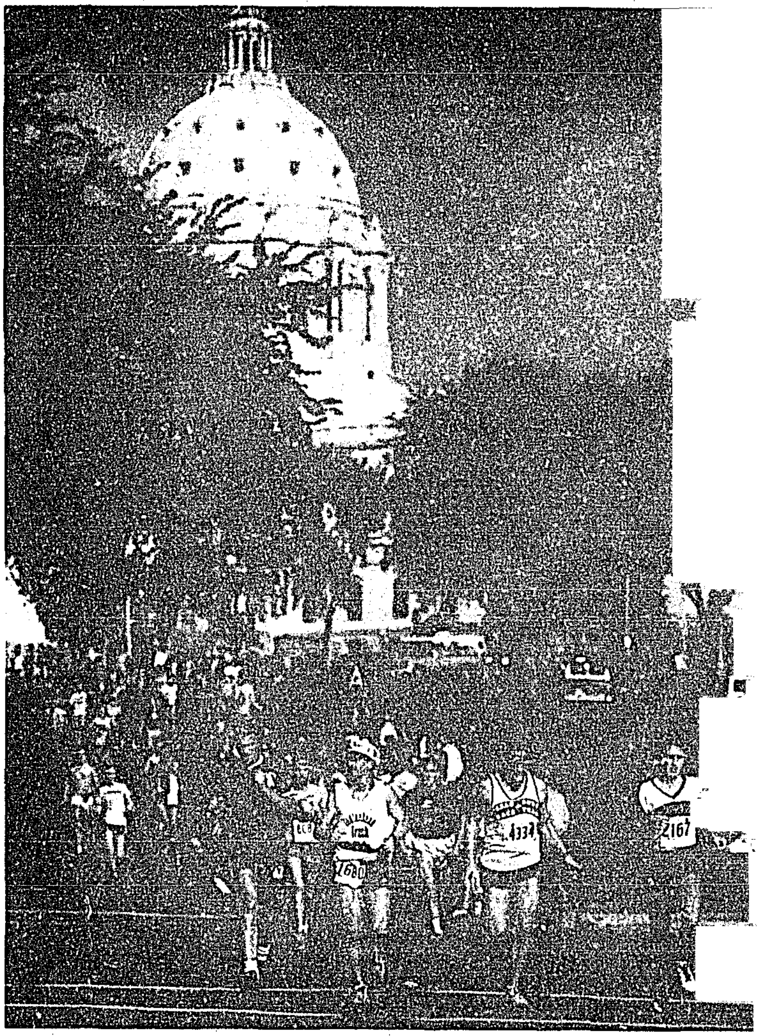
Community Relations

Pillsbury is proud of its tradition of community involvement through the company and The Pillsbury Company Foundation contributions program, as well as through personal involvement by employees throughout the country who give generously of their time, talents and personal funds

In fiscal 1983, the company and The Pillsbury Company Foundation donated some $3.8 million.

Contributions are made in a variety of areas with emphasis on four activities, including food and nutrition, higher education, art and culture and Pillsbury plant and subsidiary communities. A number of programs highlight fiscal 1983 activities:

- A dramatic and highly publicized yearlong food donation and financial assistance program to feed the needy hungry in certain areas in Minnesota, Texas and Florida During the year, some 750,000 meals were provided, as were tens of thousands of volunteer hours



The Twin Cities' Marathon, co sponsored by Pillsbury in 1982 is billed as the country's most beautiful urban marathon

Pillsbury provided leadership in spearheading food collections to feed the hungry in Minnesota, Florida and Texas

- The Robert J. Keith Scholarship Program for the children of Pillsbury employees, initiated in fiscal 1982, was expanded this year, giving financial assistance for higher education to the children of 52 Pillsbury employees around the country. Mr. Keith was chairman and chief executive officer of The Pillsbury Company from September, 1967, to January, 1973, having started with Pillsbury in 1938.

- Pillsbury's impressive matching gifts program continued to match dollar-for-dollar employee donations to the United Way and educational institutions.

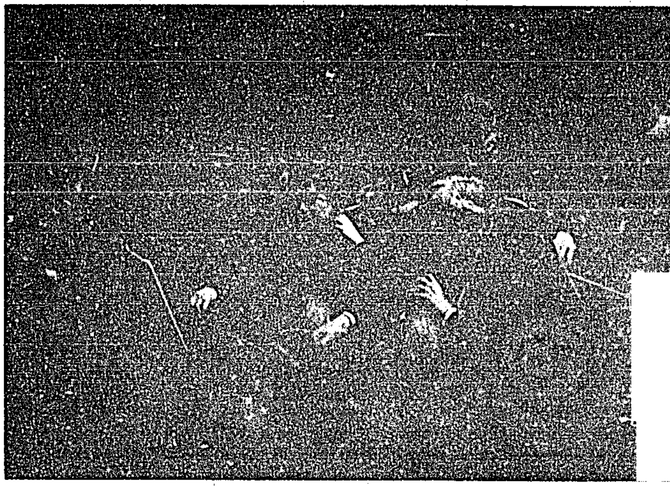
- Addressing needs in Pillsbury plant communities was a priority. Plants and subsidiaries contributed more than $380,000 addressing local needs and requests by employees in those communities.

Capitalizing on the growing popularity of long distance running in America, the Twin Cities Marathon, a 26.2 mile race from downtown Minneapolis to downtown St. Paul, was initiated with Pillsbury as a major sponsor. Pillsbury will co-sponsor the marathon again this fall.

Affirmative Action

The Pillsbury Company and its subsidiaries are strongly committed to the principles of equal employment opportunity and affirmative action. Minneapolis based businesses, through a series of task forces, designed a comprehensive long-term strategy focusing on four specific areas: goal setting, recruitment and retention, training and development, and communications.

Of special significance was a summer minority intern program aimed at men and women seeking advanced professional and technical degrees. This initiative, funded by The Pillsbury Company Foundation, exposed students to a variety of real business projects. The enthusiasm generated by the success of this effort has brought added momentum to on-going recruitment efforts.



The Minneapolis Orchestra received Pillsbury's support

Industrial Relations

Enhancing the quality of the work environment, reducing product unit labor costs, and improving Pillsbury's competitive strength in the marketplace, continued to be emphasized in the company's industrial relations efforts.

Dedication to these goals led to the successful renegotiation of 24 U.S. and three Canadian labor contracts covering 2,145 employees. All of these contracts were satisfactorily resolved without any operating time lost due to contractual dispute.

In fiscal 1984, 23 labor contracts with six national unions representing some 2,700 employees will be open for renegotiation.

Helping students achieve their educational goals is one result of The Pillsbury Company's contributions program.

Charitable Contributions Committee of The Pillsbury Company

William H. Spoor,
Chairman

Diana L. Doshan,
Director of Personnel, Agri-Products

N. Jean Fountain,
Product Manager, Consumer Foods

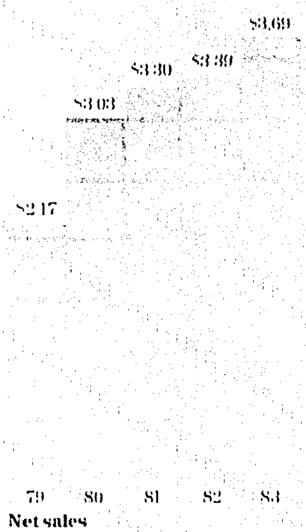
Philip J. Lindau,
Group Vice President, Speciality Commodities

Gerald L. Olson,
Vice President, Government Relations

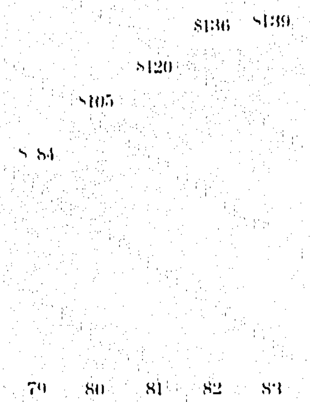
Lynn M. Seifert,
Director, Corporate Finance

Edward C. Stringer,
Executive Vice President and General Counsel

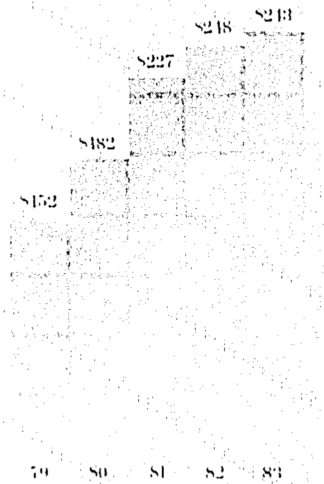
Lyle T. Walker,
Vice President, Administrative Services



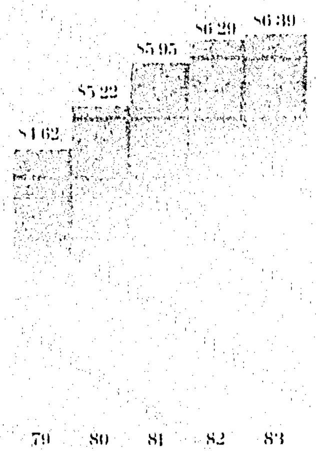
Net sales
(Billions)



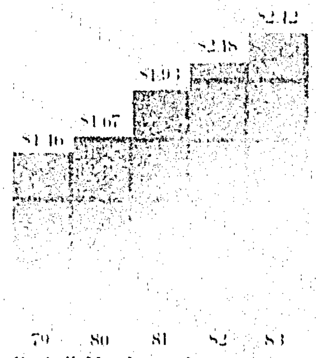
Net earnings
(Millions)



Funds provided from operations
(Millions)



Net earnings per share



Cash dividends per share

Five Year Trends Characterized by Substantial Growth

Net sales

Net sales for fiscal 1983 were $3.69 billion, an increase of $1.52 billion over fiscal 1979 sales of $2.17 billion. This represents a compound annual growth rate of 17 percent over the five year period. The increase is attributable to volume growth from acquisitions, new products and market expansion, as well as price increases.

Net earnings

Net earnings have grown at a 14 percent compound annual growth rate over the past five years. Fiscal 1983 net earnings of $138.9 million are 66 percent higher than net earnings of $83.5 million in fiscal 1979. This rate of increase is particularly noteworthy as the results were achieved in difficult operating environments, particularly over the past two years.

Funds provided from operations

Funds generated from operations in fiscal 1983 were $243.4 million, an increase of 60 percent over funds generated in fiscal 1979 of $152.5 million. Internally generated funds are a significant source of Pillsbury's financial strength and stability and the principal means by which the company will fund its future growth.

Net earnings per share

Net earnings per share of $6.39 in fiscal 1983 reflected an increase of 38 percent over fiscal 1979 earnings per share of $4.62 or a compound annual growth rate of nine percent over the five year period. Earnings per share growth trailed the net earnings growth as a result of an enlargement of the company's equity base due to the common stock issued to acquire Green Giant, as well as the fiscal 1982 sale of common stock for the funding of capital requirements.

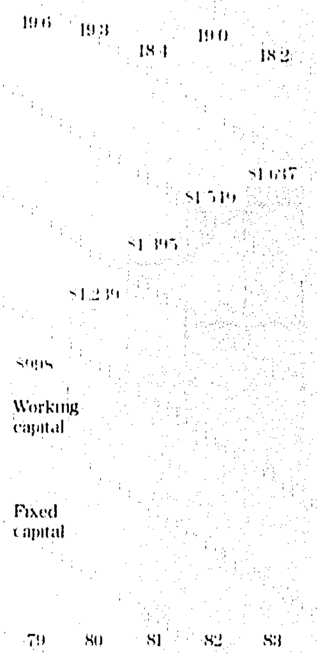
Cash dividends per share

Cash dividends per share have grown from $1.46 in fiscal 1979 to $2.42 in fiscal 1983 representing a 14 percent compound annual growth. Dividend policy has been formulated to provide the shareholder with the combination of attractive cash yields and the potential for price appreciation resulting from the investment of earnings retained by the company in projects providing satisfactory returns.

Financial Statement Responsibility

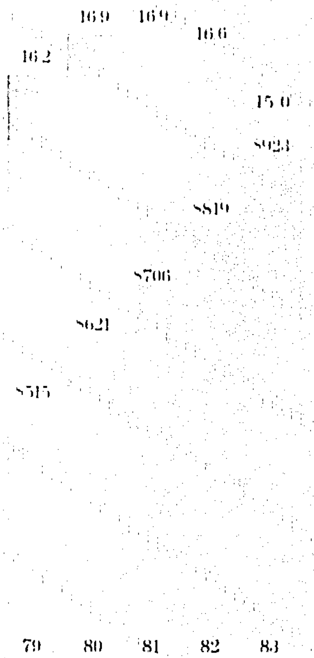
Pillsbury management is responsible for the preparation, presentation, objectivity and integrity of the financial statements and related financial information contained in this report. The financial statements have been prepared in accordance with generally accepted accounting principles and all financial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

Average invested capital (Millions) **and return** (percent)*



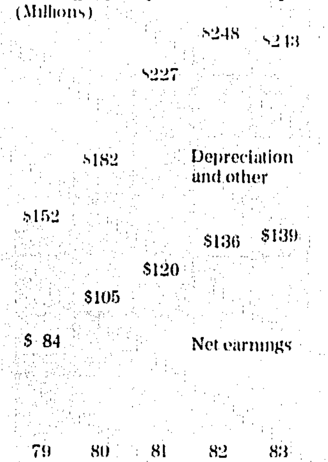
*Pretax profit before long-term debt cost divided by average of beginning and end of year invested capital.

Average equity (Millions) **and return** (percent)*



*Net earnings available to common stockholders divided by average of beginning and end of year common stockholders' equity

Working capital provided from operations (Millions)



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

Financial Review

Pillsbury is committed to achieving superior financial results. Return on average invested capital, return on average equity, net earnings per share growth and maintenance of a strong credit rating are the principal means by which management evaluates its competitive performance. These long-term objectives include:

- Pretax return on average invested capital of 25 percent.
- Aftertax return on average stockholders' equity of 18 percent.
- Annual net earnings per share growth of 12-15 percent
- A strong "A" credit rating on senior debt of the parent company.

The following information measures current performance relative to these objectives:

Return on Average Equity and Invested Capital

Return on average invested capital relates pretax income before interest on long-term debt expense to average invested capital during the year. Invested capital is the permanent capital used in the business and is the sum of long-term debt, deferred taxes, other noncurrent deferrals and stockholders' equity. Average invested capital was $1,636.8 million for fiscal 1983 compared with $1,549.4 for fiscal 1982, an increase of six percent. The pretax return on average invested capital declined to 18.2 percent in fiscal 1983 from 19.0 percent in fiscal 1982.

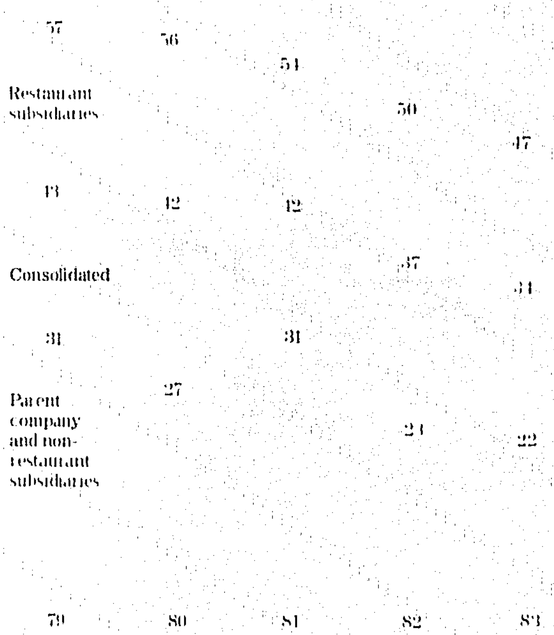
The decline reflects a more rapid increase in invested capital than occurred in pretax income, due in part to the decrease in earnings in Agri-Products and the write-down of assets in Burger King.

Average stockholders' equity in fiscal 1983 rose 13 percent to $923.2 million. Return on equity relates net earnings to average outstanding stockholders' equity during the year. Net earnings of $138.9 million produced an aftertax return on average equity of 15.0 percent, down from the 16.6 percent level achieved last year.

Funds Generation and Liquidity

Pillsbury's financial flexibility and strength relate directly to the balance and continuity of the flow of funds. The ability to generate a strong, dependable funds flow from operations is a principal factor in determining the company's rate of long-term growth.

Long-term debt as a percentage of capitalization as of May 31 (percent)



Funds generated from operations in fiscal 1983 were $243.4 million compared to $247.6 million generated last year. The increases in net earnings and depreciation were more than offset by a decrease in deferred taxes.

At May 31, 1983, the company's cash and marketable securities balance was $129.6 million, a reduction of $50.0 million from the level at May 31, 1982. Cash and marketable securities are carried at levels that management deems adequate to provide for short-term liquidity needs. Amounts above those levels are deployed into asset categories, principally long-term, yielding the highest possible returns within prudent risk levels.

Pillsbury relies primarily on the issuance of commercial paper, backed by bank lines of credit, to fund seasonal working capital requirements. The company's commercial paper carries an A1/P1 rating. Seasonal usage of commercial paper is related primarily to commodity merchandising, flour milling and vegetable processing operations. Usage of commercial paper generally peaks following the fall harvest and declines in the spring. Other short-term borrowings or notes payable, primarily related to foreign subsidiaries, have not been a significant factor in the company's financing program over the last several years.

Information relative to commercial paper borrowings:

	Year ended May 31		
	1983	1982	1981
	(Dollars in millions)		
Commercial paper outstanding:			
Maximum	**$167.6**	$180.0	$509.4
Average	**64.5**	51.8	257.0
Weighted average interest rate	**10.3%**	15.1%	13.3%

The commercial paper usage decline from fiscal 1981 reflects a lower level of business activity in commodity merchandising.

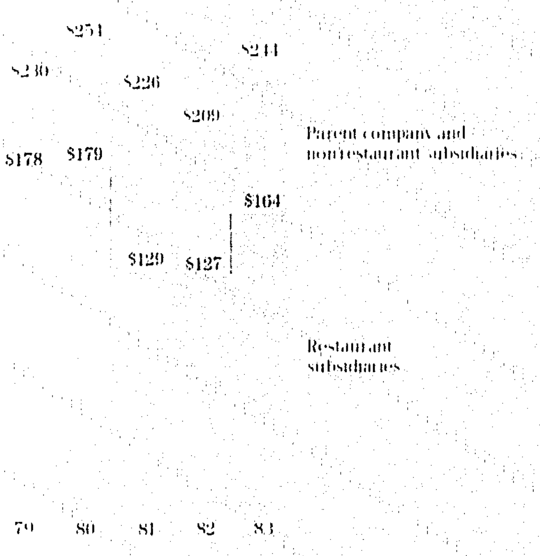
Total bank lines of credit available to back the issuance of commercial paper by the company during peak seasonal borrowings were $188 million in fiscal 1983 compared with $202 million in fiscal 1982. Unused bank lines at May 31, 1983 totalled $178 million worldwide.

Capital Structure

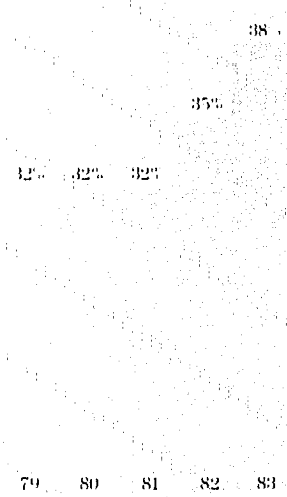
Pillsbury's financing strategy is constructed on the premise that the company's three basic businesses, Consumer Foods, Agri-Products and Restaurants have distinctive financial characteristics and requirements. Objectives of Pillsbury's financing strategy are:

- to respond to the particular financial demands of each business segment,

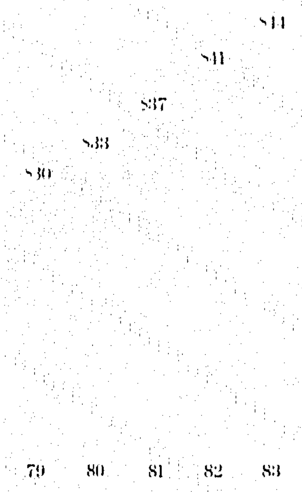
Capital expenditures
(Millions)



Dividends to net earnings ratio



Equity per share



- to fund effectively the business plans, including shifting requirements for funds between businesses, to maximize returns, and
- to retain adequate financial flexibility, including prudent funding of requirements.

Financing Restaurants on a separate credit basis has allowed that segment to carry a degree of leverage consistent with the restaurant industry. Such leverage has been required to fund the heavy external requirements to sustain the growth rate this segment of the company's business has generated. All debt and lease obligations of the restaurant subsidiaries are secured by the credit of the individual restaurant subsidiaries without guaranty from The Pillsbury Company.

Restaurant subsidiaries' debt to total capital declined 3 percentage points during fiscal 1983 to 47 percent at May 31, 1983. New borrowings during the year of $25.3 million were more than offset by $40.8 million of long-term debt retirements and an increase in retained earnings, thereby lowering the ratio

Debt to total capital for the parent company and non-restaurant subsidiaries was 22 percent at the end of fiscal 1983, compared with 23 percent at the end of fiscal 1982. Internally generated funds were adequate to fund the growth of these businesses without accessing the intermediate or long-term debt markets during the year.

Capital Expenditures

New capital projects are subjected to a common discipline of analysis throughout the company. Profit adding projects must generate at least a 16 percent time-weighted aftertax return on net cash flows over the life of the project.

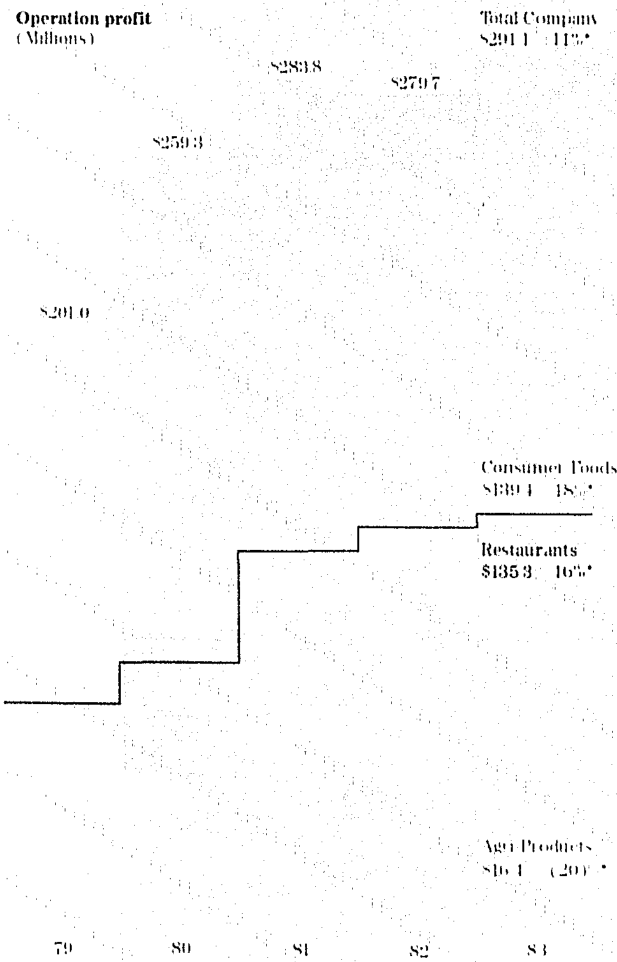
Capital expenditures totaled $243.9 million for fiscal 1983, an increase of $35.4 million from last year. Faster than anticipated expansion in the Restaurant Group resulted in actual capital expenditures exceeding initial plan levels by $32 million.

The initial plan for capital expenditures in fiscal 1984 is $290.0 million.

Dividends

In fiscal 1983, dividends of $52.5 million were paid to common stockholders, the 25th consecutive year of increases.

Cash dividends have grown over the last five years at a compound annual growth rate of 20 percent. The dividend payout ratio, the proportion of net earnings paid to stockholders, was 38 percent in fiscal 1983. The dividends paid during fiscal 1983 marked Pillsbury's 55th consecutive year of uninterrupted dividend payouts.



*Five year annual growth rate

The chart graphically portrays Pillsbury's balanced portfolio of diversified food businesses. The growth of Restaurants and Consumer Foods has been consistent and repetitive. The record of this portfolio continues to give evidence of future growth prospects of Pillsbury.

Industry Segment Data

The following discussion and analysis of the results of operations is organized on an industry segment basis. Discussion and analysis of net sales, operating profit and capital expenditures is provided for each of the industry segments. A financial summary by industry segment is provided on page 26, and a summary by quarter is provided on page 27. A discussion of the impact of inflation on the company's operations is included on pages 40 and 41.

Consumer Foods

Net sales increased 1 percent in fiscal 1983 and 2 percent in fiscal 1982, due principally to higher prices in all periods. Operating profits increased 3 percent in fiscal 1983 and 5 percent in fiscal 1982. Excluding the items explained on page 27, operating profits increased 15 percent in fiscal 1983 and 4 percent in fiscal 1982.

In fiscal 1983, Refrigerated Foods and the International Group registered strong sales volume increases, while Frozen Foods reported higher sales due principally to price increases. Sales declined in Dry Grocery Products and Canada due principally to lower volume.

Overall, fiscal 1983 reflected operating profit improvement through tight control over gross margins (40.9 percent in fiscal 1983 versus 38.3 percent in fiscal 1982) and operating expenses, despite strong competition and decreased sales volumes. Operating profit gains were led by Frozen Foods, up 75 percent from improved gross margins and favorable new product mix. Dry Grocery Products, Refrigerated Foods, and the International Group all reported increases in operating profit contributions due principally to gross margin gains from favorable manufacturing and distribution costs. A currency devaluation in Venezuela was more than offset by $1.5 million transactional income from forward currency contracts, however Mexican translation losses reduced operating profit by $1.5 million. Venezuelan translation losses increased the accumulated translation adjustment losses within stockholders' equity by $11.1 million.

In fiscal 1982, Dry Grocery Products and Refrigerated Foods registered higher contributions to operating profits from sales increases, improved operating margins and favorable ingredient costs. Frozen Foods reported a gain in sales but a decline in operating profit contribution as intense frozen pizza competition negated a strong performance by frozen vegetables. Strong sales volume increases in Europe were substantially offset by unfavorable currency exchange rates, resulting in a modest increase in the International Group's contribution to operating profit.

Capital expenditures decreased 3 percent in fiscal 1983, following an 18 percent decrease in fiscal 1982. In fiscal 1983, major expenditures included the purchase of a previously leased distribution center, new farm equipment, and the consolidation of European manufacturing facilities. In fiscal 1982, major capacity expansions were made in pizza and research facilities.

Restaurants

Net sales increased 17 percent in fiscal 1983 and 6 percent in fiscal 1982. Information on store openings and average sales per domestic unit is included on page 13

Burger King Corporation reported a 9 percent increase in fiscal 1983 operating profit contribution on 17 percent higher sales. Excluding the items explained in the notes on page 27, Burger King's fiscal 1983 operating profit contribution increased 20 percent. Domestic sales and operating profit contribution increased largely in response to aggressive advertising and marketing campaigns, with 10 percent real growth in average sales per domestic company operated unit. However, international operations reported losses.

S&A Restaurant Corp. registered a 28 percent increase in fiscal 1983 operating profit contribution on 22 percent higher sales. Sales volume increases led to average unit real sales growth of 10 percent in the Steak and Ale dinnerhouse concept, while Bennigan's sales increased 67 percent, due largely to 43 new store openings.

Poppin Fresh Pies, Inc. was sold in April, 1983. Fiscal 1983's contribution to operating profit, including an immaterial gain on the sale, was $5.3 million on sales of $57 million.

In fiscal 1982, Burger King recorded an 8 percent increase in operating profit contribution on 6 percent higher sales, reflecting improved domestic operations but declining international results. Steak and Ale registered an 18 percent increase in operating profit contribution on 16 percent higher sales, with real sales growth in both dinnerhouse and Bennigan's concepts of 13 percent and 15 percent, respectively. Poppin Fresh reported lower sales and operating profit contribution.

Capital expenditures increased 29 percent in fiscal 1983, following a decline of 2 percent in fiscal 1982. Major fiscal 1983 expenditures were about equally divided between new Burger King and Bennigan's units.

Agri-Products

In fiscal 1983, net sales increased 10 percent but operating profit decreased 43 percent. In fiscal 1982, net sales and operating profit decreased 3 percent and 40 percent, respectively. Gross margins from merchandising operations (grain, feed ingredients, and export flour), rather than gross sales thereof, are included in net sales.

In both fiscal 1983 and fiscal 1982, results were characterized by a continuing difficult operating environment. Grain merchandising reported losses in both comparable periods due principally to weakness in the transportation segment of the business, together with lower margins in handling and trading activities. Feed Ingredient Merchandising and Rice Milling reported declines in sales and operating profit contributions in both comparable periods due to narrow trading margins and an industry oversupply of feed grains. Industrial Foods registered slight gains in both comparable period operating profit contributions, while edible protein reported significantly higher fiscal 1983 sales and contribution to operating profit in its first full year of operation.

Capital expenditures increased 32 percent in fiscal 1983 after declining 30 percent in fiscal 1982. Major investments in fiscal 1983 included an acquisition of a grain elevator and expansion of the Los Angeles mill.

General corporate expense, net

General corporate expense increased $9.1 million in fiscal 1983 following a decline of $3.9 million in fiscal 1982.

Fiscal 1983 results include $2.4 million equity in net losses of unconsolidated affiliates. Fiscal 1982 results include $3.7 million equity in net earnings of unconsolidated affiliates, as well as a $1.9 million gain from the settlement of claims against corrugated container manufacturers. Fiscal 1981 results include $2.5 million unrealized foreign currency translation losses.

Interest expense, net

Refer to page 35 for detailed components of net interest expense.

Net interest expense remained unchanged in fiscal 1983, but declined 40 percent in fiscal 1982. Average month-end short-term borrowings of $81 million in fiscal 1983 and 1982 were down from $290 million in fiscal 1981, due to reduced working capital requirements, principally in Agri-Products. Fiscal 1983's short-term interest expense declined significantly due to lower interest rates, however fiscal 1982's interest income was higher due to temporary investment of the proceeds from the June, 1981 public stock offering.

Taxes on income

Effective tax rates of 39.7 percent in fiscal 1983, 40.2 percent in fiscal 1982, and 40.8 percent in fiscal 1981 are substantially below the statutory federal tax rates primarily because of the reversal of deferred taxes previously provided on unremitted subsidiaires' earnings deemed to be permanently reinvested (See page 37—"Taxes on income").

Summary by Industry Segment

Pillsbury is a diversified international food company operating in three major segments of the food industry.

Net sales by segment include both sales to unaffiliated customers, as reported in the consolidated statements of earnings, and intersegment sales made on the same basis as sales to unaffiliated customers.

Operating profit of reportable segments is net sales less operating expenses. In computing operating profit, none of the following items has been included: interest income and expense; general corporate income and expenses; equity in net earnings (losses) of unconsolidated affiliates; and income taxes

	Year ended May 31		
	1983	1982	1981
		(In millions)	
Net sales:			
Consumer Foods	**$1,652.1**	$1,635.7	$1,599.8
Restaurants	**1,494.6**	1,279.3	1,207.2
Agri-Products	**627.5**	568.6	586.8
Less Agri-Products intersegment sales	**(88.3)**	(98.5)	(92.1)
Total	**3,685.9**	3,385.1	3,301.7
Operating profit:			
Consumer Foods	**139.4**	134.8	127.8
Restaurants	**135.3**	116.3	108.3
Agri-Products	**16.4**	28.6	47.7
Total	**291.1**	279.7	283.8
General corporate expense, net	**(21.5)**	(12.4)	(16.3)
Interest expense, net	**(39.4)**	(39.3)	(65.6)
Earnings before taxes on income	**230.2**	228.0	201.9
Identifiable assets:			
Consumer Foods	**725.4**	747.9	771.3
Restaurants	**1,025.7**	993.3	903.3
Agri-Products	**486.1**	536.6	433.0
Corporate	**129.4**	150.5	66.9
Total	**2,366.6**	2,428.3	2,174.5
Capital expenditures:			
Consumer Foods	**48.7**	50.0	60.9
Restaurants	**164.0**	126.8	128.9
Agri-Products	**20.9**	15.8	22.6
Corporate	**10.3**	15.9	14.1
Total	**243.9**	208.5	226.5
Depreciation expense:			
Consumer Foods	**33.0**	30.3	30.0
Restaurants	**54.7**	48.6	49.9
Agri-Products	**13.6**	11.5	8.4
Corporate	**4.2**	2.4	1.1
Total	**105.5**	92.8	89.4
Foreign operations included in the above categories are as follows:			
Net sales	**360.1**	357.9	351.0
Operating profit	**18.0**	22.8	23.4
Identifiable assets	**212.8**	241.8	224.9
Capital expenditures	**16.3**	22.6	22.6
Depreciation expense	**10.3**	8.8	9.0

See footnotes to Summary by Quarter on the following page

Summary by Quarter

	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 1981:									
First quarter(a)	$ 720.8	$ 198.7	$ 50.4	$ 28.7	$1.43	$ .43	$37	$31¼	$35⅛
Second quarter	893.6	263.7	66.0	38.8	1.93	.50	42½	34⅞	38⅝
Third quarter(b)	825.4	215.9	39.2	21.7	1.08	.50	41¾	34¾	41½
Fourth quarter(g)	861.9	235.9	46.3	30.4	1.51	.50	45⅞	38⅜	40⅞
Annual	$3,301.7	$ 914.2	$201.9	$119.6	$5.95	$1.93			
Fiscal 1982:									
First quarter(c)	$ 741.5	$ 198.0	$ 42.7	$ 25.0	$1.16	$ .50	$43⅛	$35	$36½
Second quarter	916.8	292.4	76.6	45.0	2.08	.56	40½	35	36
Third quarter	823.1	241.0	45.4	26.9	1.24	.56	41	35⅝	41
Fourth quarter(d)	903.7	264.0	63.3	39.4	1.81	.56	46¾	40⅜	44⅜
Annual	$3,385.1	$ 995.4	$228.0	$136.3	$6.29	$2.18			
Fiscal 1983:									
First quarter	$ 806.0	$ 221.6	$ 47.3	$ 25.6	$1.18	$ .56	$46¼	$36⅞	$43¼
Second quarter(e)	985.7	307.0	58.5	30.7	1.41	.62	51¾	40⅝	50
Third quarter	903.9	272.0	54.0	29.1	1.34	.62	55	46¾	48½
Fourth quarter(f, h)	990.3	295.8	70.4	53.5	2.46	.62	61¼	48⅜	57¼
Annual	$3,685.9	$1,096.4	$230.2	$138.9	$6.39	$2.42			

Earnings before taxes on income include:

(a) $2.9 million (Consumer Foods) gain from sale of technology for overseas development [$2.1 million net earnings—10¢ per share].

(b) $17.5 million (Consumer Foods) gain from settlement of claims against folding carton manufacturers [$9.0 million net earnings—44¢ per share].
$9.4 million (Consumer Foods) provision for estimated losses in closing certain vegetable processing facilities [$6.9 million net earnings—34¢ per share]

(c) $6.0 million (Consumer Foods) gain from sale of Wilton Enterprises, a cake decorating supply division [$3.7 million net earnings—17¢ per share].

(d) $6.2 million ($4.3 million Consumer Foods and $1.9 million General corporate expense, net) gain from settlement of claims against corrugated container manufacturers [$3.2 million net earnings—15¢ per share].
$3.4 million (Consumer Foods) gain from sale of Wheat Nuts product line [$2.1 million net earnings—10¢ per share].
$1.1 million (General corporate expense, net) income from foreign currency accounting change applicable to the first nine months of the fiscal year [$.8 million net earnings—4¢ per share].

(e) $11.9 million (Restaurants) provision for writedown of Burger King's assets [$8.2 million net earnings—37¢ per share].

(f) $4.1 million (Restaurants) gain on sale of Burger King's office building [$4.1 million net earnings—18¢ per share].

Net earnings also include:

(g) A tax reduction of $4.6 million [23¢ per share] related to settlement of an Internal Revenue Service examination.

(h) A tax reduction of $12.0 million [55¢ per share] related to permanent tax deferral of earnings from certain subsidiaries, of which approximately $8.2 million [38¢ per share] was applicable to the first nine months of the fiscal year.

Summary of Significant Accounting Policies

Consolidation
The consolidated financial statements include the accounts of the parent company and all of its majority-owned domestic and foreign subsidiaries after elimination of intercompany balances and transactions. The fiscal year of foreign subsidiaries generally ends April 30 to facilitate timely reporting.

Sales
Trading margins from merchandising grain, feed ingredients and export flour, rather than gross sales, are included in net sales.

Pensions
The company and its subsidiaries have retirement plans covering substantially all salaried and full-time hourly employees. Costs and expenses include provisions for retirement benefits, interest on unfunded prior service costs and, on certain plans, amortization of prior service costs over periods of up to 30 years from the effective dates of the plans as amended. The company funds accrued pension costs.

Taxes on income
Investment tax credits are reflected as reductions in federal income taxes in the year eligible equipment purchases are placed in service. Federal income taxes are provided on unremitted earnings of subsidiaries which are not reinvested indefinitely.

Earnings per share
Net earnings per share is 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
The company follows Statement of Financial Accounting Standards No. 52 in calculating and recording foreign currency translation.

With the exception of Mexico, all foreign currency balance sheets (local currencies have been determined to be functional currencies) are translated at the end-of-period current exchange rates. The resulting translation gains or losses are recorded in the "Accumulated Foreign Currency Translation" caption within stockholders' equity. A Mexican subsidiary's translation adjustments are recognized immediately in earnings.

All foreign currency earnings statements are converted at the average monthly exchange rate for each period.

Inventories
Grain inventories are stated on the basis of market prices at May 31, including adjustment to market of open contracts for purchases and sales. Other inventories are stated at cost (first-in, first-out) or market, whichever is lower and include material, direct labor and manufacturing overhead.

Property, plant and equipment
Owned property, plant and equipment is stated at cost. Depreciation is computed on the straight-line method for financial statement purposes and on accelerated methods for tax purposes. Estimated useful lives are: buildings and improvements, 10 to 60 years; machinery and equipment, 2 to 30 years.

Capital leases are capitalized at the present value of future minimum lease payments and are depreciated using the straight-line method over the related lease terms as follows: buildings, 15 to 30 years; equipment, 2 to 15 years.

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 businesses purchased. Costs are amortized over the remaining lives or periods benefited (not in excess of 40 years).

The Pillsbury Company and Subsidiaries
Consolidated Statements of Earnings

	Year ended May 31		
	1983	1982	1981
	(In millions except per share amounts)		
Net sales	**$3,685.9**	$3,385.1	$3,301.7
Costs and expenses:			
Cost of sales	**2,589.5**	2,389.7	2,387.5
Selling, general and administrative expenses	**826.8**	728.1	646.7
Interest expense, net (Note 7)	**39.4**	39.3	65.6
	3,455.7	3,157.1	3,099.8
Earnings before taxes on income	**230.2**	228.0	201.9
Taxes on income (Note 10)	**91.3**	91.7	82.3
Net earnings	**$ 138.9**	$ 136.3	$ 119.6
Average number of shares outstanding	**21.7**	21.7	20.1
Net earnings per share	**$ 6.39**	$ 6.29	$ 5.95

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements

Accountants' Report

Stockholders and
Board of Directors
The Pillsbury Company

We have examined the consolidated balance sheets of The Pillsbury Company and subsidiaries as of May 31, 1983 and 1982, and the related statements of earnings, stockholders' equity and changes in financial position for each of the three years in the period ended May 31, 1983. 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 present fairly the financial position of The Pillsbury Company and subsidiaries at May 31, 1983 and 1982, 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, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.

Certified Public Accountants

Minneapolis, Minnesota
June 23, 1983
July 11, 1983 as to Note 1

The Pillsbury Company and Subsidiaries
Consolidated Balance Sheets

	May 31 1983	May 31 1982
	(In millions)	
Assets		
Current assets:		
Cash (Note 5)	**$ 25.1**	$ 37.0
Marketable securities, at cost (approximates market)	**104.5**	142.6
Receivables, less allowance for doubtful accounts of $12.9 and $10.0, respectively	**350.6**	373.5
Inventories:		
Grain	**52.9**	64.2
Finished products	**204.1**	190.5
Raw materials, containers and supplies	**133.7**	135.0
	390.7	389.7
Advances on purchases	**128.4**	165.9
Prepaid expenses	**22.3**	24.3
Total current assets	**1,021.6**	1,133.0
Property, plant and equipment (Notes 4, 6 and 8):		
Land and improvements	**179.3**	172.6
Buildings and improvements	**788.2**	749.1
Machinery and equipment	**600.3**	544.8
	1,567.8	1,466.5
Less accumulated depreciation	**514.6**	457.5
	1,053.2	1,009.0
Net investment in direct financing leases (Note 9)	**178.7**	171.7
Intangibles	**21.6**	28.2
Investments and other assets	**91.5**	86.4
	$2,366.6	$2,428.3

	May 31 1983	May 31 1982
	(In millions)	
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable (Note 5)	**$ 10.5**	$ 20.1
Current portion of long-term debt (Note 6)	**32.8**	50.9
Trade accounts payable	**279.6**	298.1
Advances on sales	**136.7**	188.0
Employee compensation	**72.4**	68.7
Taxes on income	**20.8**	51.4
Other liabilities	**152.1**	139.3
Total current liabilities	**704.9**	816.5
Long-term debt, noncurrent portion (Notes 6, 7 and 8)	**572.4**	597.1
Deferred taxes on income	**108.5**	103.6
Other deferrals	**24.4**	21.1
Stockholders' equity (Notes 6 and 11):		
Preferred stock, without par value, authorized 500,000 shares, no shares issued		
Common stock, without par value, authorized 40,000,000 shares, issued 21,731,078 shares and 21,694,105 shares, respectively	**284.1**	282.0
Common stock in treasury at cost, 90,159 shares and 1,850 shares, respectively	**(4.6)**	
Accumulated earnings retained and used in the business	**704.9**	618.8
Accumulated foreign currency translation	**(28.0)**	(10.8)
Total stockholders' equity	**956.4**	890.0
	$2,366.6	$2,428.3

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements

The Pillsbury Company and Subsidiaries

Consolidated Statements of Changes in Financial Position

	Year ended May 31		
	1983	1982	1981
		(In millions)	
Funds provided from operations:			
Net earnings	**$138.9**	$136.3	$119.6
Charges to income not requiring working capital:			
Depreciation	**105.5**	92.8	89.4
Amortization of intangibles	**3.3**	2.9	2.3
Deferred taxes on income	**(4.3)**	15.6	15.5
	243.4	247.6	226.8
Funds from (used for) changes in working capital:			
(Increase) decrease in receivables	**22.9**	(30.2)	5.4
(Increase) decrease in inventories	**(1.0)**	28.4	(14.5)
(Increase) decrease in other current assets	**39.5**	(56.8)	(1.4)
Increase (decrease) in trade accounts payable	**(18.5)**	.4	(75.1)
Increase (decrease) in advances on sales	**(51.3)**	74.2	59.4
Increase (decrease) in taxes on income	**(30.6)**	(.7)	(17.1)
Increase (decrease) in other current liabilities	**16.5**	33.2	42.9
	(22.5)	48.5	(.4)
Funds from conversion of noncurrent assets:			
Disposals of property, plant and equipment	**66.5**	41.5	30.6
Proceeds from investments and other assets	**25.4**	10.3	11.0
Other, net	**16.3**	17.6	15.3
	108.2	69.4	56.9
Utilization of funds for investment activities:			
Additions to property, plant and equipment, including $14.1, $21.3 and $36.4, respectively, transferred to net investment in direct financing leases	**(243.9)**	(208.5)	(226.5)
Additions to intangibles	**(3.1)**	(7.8)	(4.0)
Additions to investments and other assets	**(32.9)**	(47.0)	(26.5)
Noncurrent assets of acquired companies		(22.5)	(25.2)
	(279.9)	(285.8)	(282.2)
Funds generated before financing activities	**49.2**	79.7	1.1
Funds from (used for) financing activities:			
Issuance of long-term debt	**30.2**	35.2	98.3
Long-term debt of acquired companies		2.4	15.0
Retirements of long-term debt	**(73.7)**	(47.7)	(37.9)
Increase (decrease) in notes payable	**(9.6)**	(2.4)	1.0
Investment in tax lease	**(24.7)**		
Income tax benefits from tax lease	**33.6**		
Issuance (purchase) of common stock, net	**(2.5)**	64.5	1.8
Cash dividends	**(52.5)**	(47.2)	(38.7)
	(99.2)	4.8	39.5
Increase (decrease) in cash and marketable securities	**$(50.0)**	$ 84.5	$ 40.6

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

The Pillsbury Company and Subsidiaries
Consolidated Statements of Stockholders' Equity

	Shares of common stock outstanding	Common stock	Treasury stock	Accumulated earnings	Accumulated foreign currency translation
			(In millions)		
Balances at May 31, 1980	20.0	$215.8	$ (.1)	$448.8	
Net earnings				119.6	
Cash dividends				(38.7)	
Stock issued for:					
Conversion of subordinated debentures	.1	1.3			
Stock option and performance unit plans		.4	.4		
Purchase of treasury stock			(.3)		
Balances at May 31, 1981	20.1	217.5		529.7	
Beginning foreign currency translation					$ (3.9)
Net earnings				136.3	
Change in foreign currency translation					(6.9)
Cash dividends				(47.2)	
Stock issued for:					
Purchased company	.1	1.8			
Conversion of subordinated debentures		2.1			
Stock option plans		.2			
Public offering	1.5	60.4			
Balances at May 31, 1982	21.7	282.0		618.8	(10.8)
Net earnings				138.9	
Change in foreign currency translation					(17.2)
Cash dividends				(52.5)	
Stock issued for:					
Conversion of subordinated debentures		1.3			
Stock option and performance unit plans		.8	1.5	(.3)	
Purchase of treasury stock	(.1)		(6.1)		
Balances at May 31, 1983	21.6	$284.1	$(4.6)	$704.9	$(28.0)

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements

1. Acquisitions and dispositions:

On July 11, 1983, subsequent to year end, the company acquired the net assets, including cash and marketable securities of $11 million, and operations of the Häagen-Dazs companies for $75.0 million in cash and notes. The acquisition will be accounted for as a purchase and, accordingly, Häagen-Dazs' results of operations will be included in the consolidated statements of earnings from July 1, 1983. Häagen-Dazs, a manufacturer and distributor of premium quality ice cream and franchisor of 244 "dipping stores," had net sales of $76 million and net earnings of $7 million for the 12 months ended December 31, 1982.

During April 1983, the company sold Poppin Fresh Pies, Inc., a restaurant subsidiary. The sale had no material effect on net earnings or financial position

Effective April 25, 1982, the company acquired the agricultural division of The Wickes Corporation, a Colorado based marketer of edible dry beans, grain and related service activities. The acquisition was accounted for as a purchase through the cash payment of approximately $44.1 million. The effect of this operation on consolidated results was not material.

In addition, during the three year period ended May 31, 1983, the company acquired or disposed of other businesses, none of which were material.

2. Financial statement presentation:

Certain amounts have been reclassified to conform with the 1983 presentation. These reclassifications had no effect on previously reported net earnings.

3. Foreign operations:

The consolidated financial statements include amounts for foreign subsidiaries (substantially all are wholly owned) as of and for the years ended May 31, as follows:

	1983	1982	1981
		(In millions)	
Net sales	**$360.1**	$357.9	$351.0
Net earnings	**8.2**	10.4	10.4
Total assets	**220.5**	250.4	229.7
Net tangible assets	**114.0**	133.3	98.0
Excess of investments over equity in net tangible assets	**6.0**	8.0	9.3

4. Property, plant and equipment:

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

	Capital leases		Leased to restaurant franchisees	
	1983	1982	**1983**	1982
	(In millions)			
Land and improvements			**$ 76.0**	$ 73.6
Buildings and improvements	**$ 46.2**	$ 47.5	**39.8**	40.5
Machinery and equipment	**16.2**	16.6	**4.8**	7.4
	62.4	64.1	**120.6**	121.5
Less accumulated depreciation	**(26.4)**	(23.3)	**(18.9)**	(15.8)
	$ 36.0	$ 40.8	**$101.7**	$105.7
Depreciation expense	**$ 5.1**	$ 5.0		

5. Short-term financing commitments:

Notes payable—year-end balances consist primarily of foreign subsidiaries' bank notes. During each year, notes payable also includes borrowings by the company through issuance of commercial paper.

Bank lines of credit—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 rates are at prime. Compensating balances are not legally restricted.

At May 31, 1983:
The Pillsbury Company and nonrestaurant subsidiaries had bank lines of credit of $178 million against which $10 million of foreign subsidiaries' borrowings were outstanding. The company either pays a commitment fee of .375% or maintains the earnings equivalent as compensating balances. Restaurant subsidiaries had bank lines of credit of $10 million requiring compensating balances ranging from 5% to 7%. There were no borrowings.

Selected information on notes payable is as follows:

	1983	1982	1981
		(Dollars in millions)	
Balance at May 31:			
Amount	**$ 10.5**	$ 20.1	$ 22.5
Interest rate	**11.2%**	13.1%	15.2%
Maximum balance at any month-end	**$180.0**	$196.5	$539.1
Average month-end balance	**81.0**	81.0	290.4
Average interest rate (a)	**10.9%**	15.1%	13.5%

(a) Computed on the weighted average of outstanding loan balances throughout the year.

6. Long-term debt:

	May 31	
	1983	1982
	(In millions)	
Parent company and nonrestaurant subsidiaries:		
7¾% note due 1983		$ 20.0
5¾% sinking fund debentures due 1987, annual funding $.4 million, less $.9 million held for cancellation	**$ 2.3**	2.3
5½% notes due $.5 million annually to 1989	**3.1**	3.6
8¾% sinking fund debentures due 1996, annual funding $1.3 million, less $3.4 million held for cancellation	**12.9**	13.2
8⅜% notes due 1999, annual funding $3.1 million beginning in 1984	**50.0**	50.0
14% notes due 1991	**50.0**	50.0
4¼% convertible subordinated debentures due 1993	**2.9**	4.3
5% notes due 1983		3.1
10¾% notes due $2.5 million annually to 1991	**20.0**	22.5
8⅛% notes due $1.0 million annually to 1988	**5.0**	6.0
10⅜% notes due $1.9 million annually to 1987	**7.5**	9.4
Other notes at 5¼% to 15½% (real estate of $14.8 million and $45.7 million, respectively, pledged as collateral)	**27.8**	13.5
Capital lease obligations (Note 8)	**10.0**	12.4
	191.5	210.3
Restaurant subsidiaries (not guaranteed by The Pillsbury Company):		
Installment notes at 5¾% to 16¾%:		
Unsecured	**284.6**	270.1
Secured (real estate of $112.9 million and $148.4 million, respectively, pledged as collateral)	**76.8**	112.3
Capital lease obligations (Note 8)	**52.3**	55.3
	413.7	437.7
	605.2	648.0
Less current portion	**(32.8)**	(50.9)
	$572.4	$597.1

Debt agreements contain certain restrictions relating to the payment of dividends and the making of other distributions. Under the most restrictive of these provisions, approximately $127 million of accumulated earnings at May 31, 1983 were not restricted.

The 4¼% convertible subordinated debentures are convertible into one share of the company's common stock for each $49.80 principal amount of debentures. At May 31, 1983, approximately 57,000 shares of common stock were reserved for issuance upon conversion of the debentures.

Maturities of long-term debt, excluding capital lease obligations, for the five fiscal years subsequent to May 31, 1983 are (portions applicable to restaurant subsidiaries are noted parenthetically):

1984	$27.3 million ($16.7 million)
1985	38.7 million (22.6 million)
1986	33.6 million (21.4 million)
1987	51.6 million (39.1 million)
1988	38.7 million (28.6 million)

Long-term commitments—at May 31, 1983:

The Pillsbury Company has a $100 million, two year revolving credit agreement with six banks. No borrowings were outstanding. Interest on borrowings is at the lower of the prevailing prime rate or the London Interbank Offering rate. The company pays a commitment fee of .375% on the unused portion.

Restaurant subsidiaries have $60 million of revolving credit agreements with banks, at prime interest rate, against which there were no outstanding borrowings. The subsidiaries pay commitment fees ranging from .375% to .5% on the unused portion of the revolving credit agreements.

7. Interest expense, net:

	Year ended May 31		
	1983	1982	1981
		(In millions)	
Long-term debt	**$ 63.4**	$ 62.5	$ 50.2
Capital lease obligations	**6.7**	7.1	7.2
Short-term debt	**12.1**	15.9	40.1
Amortization of unearned income, direct financing leases	**(19.8)**	(20.0)	(17.4)
Interest income	**(21.1)**	(23.5)	(11.2)
Capitalized interest	**(1.9)**	(2.7)	(3.3)
	$ 39.4	$ 39.3	$ 65.6

8. Commitments as lessee:
Capital leases cover transportation, computer and manufacturing equipment, and restaurant buildings.

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 periods ending May 31	Capital leases	Operating leases (a)
	(In millions)	
1984	$ 11.7	$ 51.0
1985	11.1	39.5
1986	10.3	36.0
1987	9.4	33.5
1988	8.1	30.4
Later	60.6	364.8
Total minimum obligations (b)	111.2	555.2
Less executory costs	(1.0)	(6.0)
Net minimum obligations	110.2	$549.2
Less amount representing interest	(47.9)	
Present value of net minimum obligations	$ 62.3	
Current portion	$ 5.5	

(a) Does not include obligations under term freight agreements for 2,208 barge loads in fiscal 1984, decreasing to 2,000 in fiscal 1988 and ending in fiscal 1991
(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 on the basis of percentage of sales and volume, respectively

Rent expense	Year ended May 31 **1983**	1982	1981
	(In millions)		
Minimum rent expense(a)	**$88.6**	$82.6	$70.0
Contingent rent expense	**6.0**	5.5	3.7
Transportation equipment sublease income	**(7.5)**	(5.9)	(4.6)
	$87.1	$82.2	$69.1

(a) Includes rents under leases with terms of one year or less Payments under term freight agreements of $21 0 million, $28 1 million and $39 6 million for fiscal years 1983, 1982 and 1981 respectively, are not included

9. Investments as lessor:
Restaurant subsidiaries lease restaurant 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 payments to be received during the fiscal periods ending May 31	Direct financing leases	Operating leases
	(In millions)	
1984	$ 26.3	$ 21.2
1985	25.9	21.0
1986	25.6	20.3
1987	25.5	20.2
1988	25.5	20.3
Later	274.5	231.8
	$403.3	$334.8

Rental income amounted to $41.7 million in fiscal 1983, $34.4 million in fiscal 1982 and $30.1 million in fiscal 1981 of which $21.5 million, $19.3 million and $16.6 million, respectively, were minimum rentals and $20.2 million, $15.1 million and $13.5 million, respectively, were contingent rentals on both owned and leased property under direct financing and operating leases.

Net investment in direct financing leases at May 31	**1983**	1982
	(In millions)	
Minimum lease payments receivable	**$403.3**	$395.0
Less allowance for uncollectables	**(3.7)**	(3.7)
Net minimum lease payments receivable	**399.6**	391.3
Estimated unguaranteed residual value	**4.3**	4 4
Less unearned amount representing interest	**(219.9)**	(218.4)
Net investment	**184.0**	177.3
Less current portion included in receivables	**(5.3)**	(5.6)
Net investment in direct financing leases	**$178.7**	$171.7

10. Taxes on income:

	Year ended May 31		
	1983	1982	1981
		(In millions)	
Earnings before taxes on income consists of:			
Domestic	**$213.1**	$207.0	$182.4
Foreign	**17.1**	21.0	19.5
	$230.2	$228.0	$201.9
Income tax expense consists of:			
Current:			
Federal	**$ 82.6**	$ 62.2	$ 56.3
Investment tax credit	**(9.3)**	(9.8)	(9.7)
	73.3	52.4	46.6
State	**14.2**	8.1	7.4
Foreign	**8.3**	10.2	9.4
	95.8	70.7	63.4
Deferred:			
Federal	**(4.5)**	17.5	17.3
State	**(.6)**	2.7	1.4
Foreign	**.6**	.8	.2
	(4.5)	21.0	18.9
	$ 91.3	$ 91.7	$ 82.3

In fiscal 1983, the company entered into a tax benefit lease as a purchaser of equipment. The transaction is not reflected in fiscal 1983's current or deferred income tax expense. The fiscal 1983 income tax benefits related to this purchase decreased the current liability for taxes on income by $33.6 million and increased the deferred liability for taxes on income by $8.9 million.

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

	1983	1982	1981
Expected federal tax rate	**46.0%**	46.0%	46.0%
State income taxes, net of federal income tax benefit	**3.2**	2.6	2.4
Investment tax credit	**(4.0)**	(4.3)	(4.8)
Settlement of assessed tax deficiencies and penalties			(1.8)
Reversal of provision on unremitted earnings of subsidiaries deemed to be permanently reinvested	**(5.7)**	(3.8)	(2.3)
Other, net	**.2**	(.3)	1.3
	39.7%	40.2%	40.8%

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:

	Year ended May 31		
	1983	1982	1981
Earnings of domestic international sales corporations (a)	**$(17.8)**	$ 8.8	$ (.7)
Unremitted earnings of consolidated foreign subsidiaries (a)	**(2.0)**	(4.0)	2.0
Excess of tax over book depreciation	**23.3**	13.9	8 2
Change in reserves not currently deductible for taxes	**(7.7)**	(6.1)	1.1
Method of valuing inventory (b)	**.1**	.8	8.2
Installment sales	**(.4)**	4.1	1.7
Other, net		3.5	(1.6)
	$ (4.5)	$ 21.0	$ 18.9

(a) At May 31, 1983, Federal taxes are not provided on approximately $90 1 million of unremitted earnings of foreign subsidiaries and Domestic International Sales Corporations which management intends to reinvest indefinitely

(b) A wholly owned subsidiary follows the LIFO method of valuing inventory, however such inventory is restated to the FIFO method on consolidation to maintain consistency of accounting policies.

11. Stock options:
Under a Nonqualified Stock Option Plan and a 1982 Stock Option Plan, options to purchase in the aggregate 600,000 and 750,000 shares, respectively, of the company's common stock can be granted to officers and key employees, except for those persons holding awards under Performance Unit Plans (Note 12). Options under the plans may be either nonqualified stock options or incentive stock options, granted at 100% of the fair market value at dates of grant and expire 10 years after date of grant. Options under the Nonqualified Stock Option Plan become exercisable in cumulative annual installments of 25% beginning one year after date of grant and options under the 1982 Stock Option Plan become exercisable within one year after date of grant.

The company also adopted, at acquisition, Green Giant's Stock Option Plan under which qualified and nonqualified options had been granted under similar terms and conditions.

Under all option plans, an amount equal to the option price is credited to common stock at the time of exercise and nothing is charged to earnings.

Changes in stock options outstanding are.

	Option shares		Option price
	Outstanding	Exercisable	per share
Balances at May 31, 1980	428,950	99,526	$17-45
Granted	8,600		32-45
Becoming exercisable		94,961	19-45
Exercised	(16,542)	(16,542)	19-35
Cancelled	(62,948)	(25,115)	
Balances at May 31, 1981	358,060	152,830	17-45
Granted	166,200		36-42
Becoming exercisable		73,415	21-45
Exercised	(3,688)	(3,688)	23-35
Cancelled	(51,126)	(22,721)	
Balances at May 31, 1982	469,446	199,836	17-45
Granted	137,700		43-49
Becoming exercisable		93,660	32-45
Exercised	(35,243)	(35,243)	23-45
Cancelled	(74,944)	(40,394)	
Balances at May 31, 1983	496,959	217,859	17-49

Shares of common stock reserved for options at May 31, 1983 are 1,246,959. Option shares outstanding at May 31, 1983 were granted in fiscal 1979 and prior (84,934); 1980 (134,250); 1981 (1,500); 1982 (140,275); and 1983 (136,000). Unexercisable option shares outstanding at May 31, 1983 become exercisable in fiscal 1984 (207,475); 1985 (35,950); 1986 (35,575); and 1987 (100).

12. Compensation plans:
Certain employees of the company participate in compensation programs which include a base salary plus incentive payments. They are in managerial, sales and other areas in which it is deemed appropriate to reward employees on the basis of individual and/or group performance. Incentive payments are calculated based upon the level of operating earnings, as defined by the executive compensation committee of the board of directors.

Additionally, under Performance Unit Plans, 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 value at time of payment cannot be greater than 200% of the award value. The company's cumulative annual growth in earnings per share over the four-year period following the award is the basis for payment. Nothing is payable for annual growth of less than 8% under the 1974 Plan and 6% under the 1981 Plan. Awards of 169,444 performance units were outstanding at May 31, 1983 at a weighted award value of $39.03 each. An additional 522,056 units are available for grant through fiscal 1988.

Any eligible employee may elect, under a stock purchase and investment plan or a deferred incentive plan, to make deposits of up to 10% of the employees' profit sharing earnings with the company matching 50% of the deposits up to the first 4% of profit sharing earnings.

Expenses incurred under the above compensation plans (excluding base salary) were approximately $19.2 million, $16.1 million and $14.8 million in fiscal 1983, 1982 and 1981, respectively.

13. Retirement plans:
Noncontributory retirement plans are provided for both salaried and hourly employees of the company and certain subsidiaries. Benefits for salaried employees are based on final average compensation, including certain incentive compensation, and years of credited service. The hourly plans include various monthly amounts for each year of credited service. All retirement plans conform with the provisions of the Employee Retirement Income Security Act of 1974.

Expenses incurred for retirement plans were $14.1 million, $17.1 million and $15.2 million in fiscal 1983, 1982 and 1981, respectively.

The accumulated plan benefits and net assets for all retirement plans are:

	May 31	
	1983	1982
	(In millions)	
Actuarial present value of accumulated plan benefits:		
Vested	**$140.0**	$128.7
Nonvested	**21.3**	19.3
	$161.3	$148.0
Net assets available for benefits	**$256.4**	$194.1

The rate of return used in determining the actuarial present value of accumulated plan benefits was 8.0%, except for those benefits at May 31, 1983 and 1982 which are matched to a dedicated bond portfolio yielding 15.25%.

14. Other commitments and contingent liabilities:
In May of 1981, a jury in the United States District Court for Northern District of Illinois returned a verdict against the company and Wilton Enterprises, a former division of the company engaged in the cake decorating supplies business, in the amount of $1.49 million in connection with antitrust claims alleged by Parrish's Inc., a competitor. The law provides for trebling of the claimed damages and the assessment of attorney fees. The company continues to believe that the claims are without merit and is contesting the claims through appeal.

The company and certain of its subsidiaries are parties to additional legal proceedings arising in the conduct of business.

In the opinion of management, disposition of these matters will not materially affect the company's consolidated financial position.

15. Industry segment data:
A summary by industry segment is included on page 26.

16. Interim results of operations (unaudited):
A summary by quarter is included on page 27.

17. Information on effects of changing prices and inflation (unaudited):

Consolidated statement of earnings adjusted for changing prices, year ended May 31, 1983

	As reported in the primary statements	As adjusted for general inflation (constant dollar)	As adjusted for changes in specific prices (current cost)
		(In millions except per share amounts)	
Net sales	$3,685.9	$3,685.9	$3,685.9
Cost of sales (excluding depreciation expense)	2,497.5	2,510.7	2,519.3
Depreciation expense	105.5	139.5	133.7
Selling, general and administrative expenses (excluding depreciation expense)	813.3	813.3	813.3
Interest expense, net	39.4	39.4	39.4
	3,455.7	3,502.9	3,505.7
Earnings before taxes on income	230.2	183.0	180.2
Taxes on income	91.3	91.3	91.3
Net earnings	$ 138.9	$ 91.7	$ 88.9
Net earnings per share	$ 6.39	$ 4.23	$ 4.10
Gain from decline in purchasing power of net amounts owed		20.7	20.7
Increase in prices of inventory and property, plant and equipment, net held during the year		57.4	113.5
Foreign currency translation adjustment loss			(12.0)
Net assets at year-end	956.4	1,290.7	1,248.2

At May 31, 1983 current cost of inventory is $397.2 million and property, plant and equipment, net is $1,331.6 million.

Five-year comparison of selected financial data adjusted for general inflation
(average fiscal 1983 dollars)

	Year ended May 31				
	1983	1982	1981	1980	1979
		(In millions except per share amounts)			
Net sales	**$3,685.9**	$3,543.3	$3,762.0	$3,867.8	$3,122.9
Historical cost information adjusted for general inflation:					
Net earnings	**91.7**	77.4	65.6	36.4	
Net earnings per share	**4.23**	3.57	3.27	1.81	
Net assets at year-end	**1,290.7**	1,297.4	1,208.2	1,175.8	
Historical cost information adjusted for changes in specific prices:					
Net earnings	**88.9**	85.1	54.1	62.4	
Net earnings per share	**4.10**	3.93	2.69	3.11	
Excess (deficit) of increase in general price level over increase in specific prices	**(56.1)**	44.5	29.4	63.9	
Foreign currency translation adjustment loss	**(12.0)**	(4.8)			
Net assets at year-end	**1,248.2**	1,237.2	1,157.0	1,193.5	
Gain from decline in purchasing power of net amounts owed	**20.7**	43.9	71.0	117.6	
Cash dividends per share	**2.42**	2.28	2.20	2.13	2.10
Market price per share at year-end	**56⅝**	45⅜	44⅝	38¼	44¼
Average consumer price index	**293.4**	280.3	257.5	230.0	203.5

Historical cost financial statements may not adequately measure the effects of inflation.

The preceding information attempts to remeasure certain historical cost data under two different required methods—"general inflation", using the Consumer Price Index as a broad-based measure; and "changes in specific prices", using current cost indexes as a specific price based measure. Both methods involve the use of assumptions and estimates, and therefore, should not be interpreted as highly reliable indicators of the effects of inflation.

Net earnings have been adjusted only for remeasured depreciation expense and cost of sales. No adjustments have been made to the provisions for income taxes, thus making the effective tax rates much higher than reported in the primary financial statments. If taxes on income were adjusted (using the primary statement effective tax rate of 39.7 percent), net earnings would increase $18.6 million (86 cents per share) under constant dollar remeasurement, and $19.8 million (91 cents per share) under current cost remeasurement.

The company believes that the specific price method results in a more appropriate matching of revenues and inflation adjusted expenses than the general inflation method. Therefore, in the segment analysis we have shown only the effects of current cost remeasurement.

Approximately two-thirds of the adjustment to Consumer Foods' operating profit is due to higher cost of sales. Inventories turn over only about three times per year causing a delay in reflecting increasing costs.

Restaurants' adjustment to operating profit is due almost exclusively to higher depreciation expense, reflecting increasing costs of replacing their substantial investment in depreciable assets.

Agri-Products' inventory turns over rapidly and depreciation expense is relatively low, due to a high percentage of fully depreciated assets. Therefore, their primary statements more closely approximate current cost remeasurements.

Industry segment data adjusted for changing prices	Year ended May 31, 1983	
	As reported in the primary statements	As adjusted for changes in specific prices (current cost)
	(In millions)	
Operating profit:		
Consumer Foods	$ 139.4	$ 107.4
Restaurants	135.3	119.7
Agri-Products	16.4	14.3
Corporate	(21.5)	(21.8)
Total	269.6	219.6
Depreciation expense:		
Consumer Foods	33.0	43.8
Restaurants	54.7	68.1
Agri-Products	13.6	17.3
Corporate	4.2	4.5
Total	105.5	133.7
Identifiable assets:		
Consumer Foods	725.4	804.5
Restaurants	1,025.7	1,189.9
Agri-Products	486.1	525.5
Corporate	129.4	131.6
Total	2,366.6	2,651.5

The Pillsbury Company and Subsidiaries

Condensed Statements of Earnings

	Consolidated 1983	Consolidated 1982	Parent company and nonrestaurant subsidiaries 1983	Parent company and nonrestaurant subsidiaries 1982	Restaurant subsidiaries 1983	Restaurant subsidiaries 1982
	Year ended May 31 (In millions)					
Net sales	**$3,685.9**	$3,385.1	**$2,191.6**	$2,105.8	**$1,494.3**	$1,279.3
Costs and expenses:						
Cost of sales	**2,589.5**	2,389.7	**1,446.5**	1,404.4	**1,143.0**	985.3
Selling, general and administrative expenses	**826.8**	728.1	**612.0**	551.8	**214.8**	176.3
Interest expense, net	**39.4**	39.3	**21.4**	22.9	**18.0**	16.4
	3,455.7	3,157.1	**2,079.9**	1,979.1	**1,375.8**	1,178.0
Earnings before taxes on income	**230.2**	228.0	**111.7**	126.7	**118.5**	101.3
Taxes on income	**91.3**	91.7	**34.6**	46.4	**56.7**	45.3
Net earnings	**$ 138.9**	$ 136.3	**$ 77.1**	$ 80.3	**$ 61.8**	$ 56.0

Exclusive of intercompany transactions

Condensed Balance Sheets

	Consolidated 1983	Consolidated 1982	Parent company and nonrestaurant subsidiaries 1983	Parent company and nonrestaurant subsidiaries 1982	Restaurant subsidiaries 1983	Restaurant subsidiaries 1982
	May 31 (In millions)					
Assets						
Current assets:						
Cash and marketable securities	**$ 129.6**	$ 179.6	**$ 73.5**	$ 107.0	**$ 56.1**	$ 72.6
Receivables	**350.6**	373.5	**250.0**	283.2	**100.6**	90.3
Inventories	**390.7**	389.7	**362.8**	359.1	**27.9**	30.6
Other	**150.7**	190.2	**145.2**	184.1	**5.5**	6.1
Total current assets	**1,021.6**	1,133.0	**831.5**	933.4	**190.1**	199.6
Property, plant and equipment	**1,053.2**	1,009.0	**470.5**	451.9	**582.7**	557.1
Net investment in direct financing leases	**178.7**	171.7			**178.7**	171.7
Other assets	**113.1**	114.6	**44.3**	52.0	**68.8**	62.6
	$2,366.6	$2,428.3	**$1,346.3**	$1,437.3	**$1,020.3**	$ 991.0
Liabilities and Stockholders' Equity						
Current liabilities:						
Notes payable	**$ 10.5**	$ 20.1	**$ 10.5**	$ 20.1		
Current portion of long-term debt	**32.8**	50.9	**12.9**	31.7	**$ 19.9**	$ 19.2
Accounts payable and accrued liabilities	**640.8**	694.1	**510.1**	572.6	**130.7**	121.5
Taxes on income	**20.8**	51.4	**(2.1)**	30.1	**22.9**	21.3
Total current liabilities	**704.9**	816.5	**531.4**	654.5	**173.5**	162.0
Long-term debt	**572.4**	597.1	**178.6**	178.6	**393.8**	418.5
Deferrals	**132.9**	124.7	**86.8**	79.2	**46.1**	45.5
Stockholders' equity	**956.4**	890.0	**549.5**	525.0	**406.9**	365.0
	$2,366.6	$2,428.3	**$1,346.3**	$1,437.3	**$1,020.3**	$ 991.0

Exclusive of intercompany balances

The Pillsbury Company and Subsidiaries
Condensed Changes in Financial Position

	Year ended May 31					
	Consolidated		Parent company and nonrestaurant subsidiaries		Restaurant subsidiaries	
	1983	1982	**1983**	1982	**1983**	1982
	(In millions)					
Funds provided from operations:						
Net earnings	**$ 138.9**	$ 136.3	**$ 77.1**	$ 80.3	**$ 61.8**	$ 56.0
Charges to income not requiring working capital:						
Depreciation and amortization	**108.8**	95.7	**51.3**	45.1	**57.5**	50.6
Deferred taxes on income	**(4.3)**	15.6	**(.8)**	3.1	**(3.5)**	12.5
	243.4	247.6	**127.6**	128.5	**115.8**	119.1
Funds from (used for) changes in working capital	**(22.5)**	48.5	**(26.3)**	31.9	**3.8**	16.6
Funds from conversion of noncurrent assets	**108.2**	69.4	**41.3**	30.7	**66.9**	38.7
Utilization of funds for investment activities:						
Additions to property, plant and equipment	**(243.9)**	(208.5)	**(79.9)**	(81.7)	**(164.0)**	(126.8)
Additions to other assets	**(36.0)**	(54.8)	**(12.5)**	(23.3)	**(23.5)**	(31.5)
Noncurrent assets of acquired companies		(22.5)		(22.5)		
	(279.9)	(285.8)	**(92.4)**	(127.5)	**(187.5)**	(158.3)
Funds generated (utilized) before financing activities	**49.2**	79.7	**50.2**	63.6	**(1.0)**	16.1
Funds from (used for) financing activities:						
Increase in long-term debt	**30.2**	37.6	**4.9**	7.1	**25.3**	30.5
Retirements of long-term debt	**(73.7)**	(47.7)	**(32.9)**	(29.7)	**(40.8)**	(18.0)
Increase (decrease) in notes payable	**(9.6)**	(2.4)	**(9.6)**	(2.4)		
Net benefit from tax lease	**8.9**		**8.9**			
Issuance (purchase) of common stock, net	**(2.5)**	64.5	**(2.5)**	64.5		
Cash dividends	**(52.5)**	(47.2)	**(52.5)**	(47.2)		
	(99.2)	4.8	**(83.7)**	(7.7)	**(15.5)**	12.5
Increase (decrease) in cash and marketable securities	**$ (50.0)**	$ 84.5	**$(33.5)**	$ 55.9	**$ (16.5)**	$ 28.6

Exclusive of intercompany transactions.

Ten Year Financial Information

Annual Growth Rate 10-Yr. 1973-1983	5-Yr. 1978-1983	1-Yr. 1982-1983		1983
			Operations:	
17%	17%	9%	Net sales	**$3,685.9**
17	10	1	Earnings from continuing businesses before taxes on income	**230.2**
19	14	2	Earnings from continuing businesses	**138.9**
19	14	2	Net earnings	**138.9**
4	4	—	Average common shares outstanding	**21.7**
			Per common share:	
15	9	2	Earnings from continuing businesses	**$ 6.39**
14	9	2	Net earnings	**6.39**
12	14	11	Cash dividends	**2.42**
17	19	14	Depreciation expense	**105.5**
17	15	15	Research and development expense	**29.8**
15	14	(1)	Advertising expense	**99.1**
			Changes in financial position:	
16	13	(2)	Funds provided from operations	**$ 243.4**
(2)	(14)	(14)	Issuance of long-term debt	**30.2**
13	13	17	Capital expenditures	**243.9**
20	20	11	Cash dividends	**52.5**
16	19	55	Retirements of long-term debt	**73.7**
			Financial position:	
14	8	(10)	Current assets	**$1,021.6**
15	9	(14)	Current liabilities	**704.9**
12	8	—	Working capital	**316.7**
16	17	4	Property, plant and equipment, net	**1,053.2**
13	14	(4)	Long-term debt	**572.4**
16	16	7	Stockholders' equity	**956.4**
15	15	3	Invested capital and capitalization	**1,661.7**
15	13	(3)	Total assets	**2,366.6**
			Statistics and ratios:	
			Current ratio	**1.4**
			Pretax interest and rent coverage:	
			Parent and nonrestaurant subsidiaries	**2.1**
			Restaurant subsidiaries	**2.4**
			Pretax long-term interest coverage:	
			Parent and nonrestauant subsidiaries	**6.1**
			Restaurant subsidiaries	**3.6**
			Gross margin to net sales	**29.7%**
			Pretax earnings from continuing businesses to net sales	**6.2%**
			Return on average equity	**15.0%**
			Return on average invested capital	**18.2%**
			Dividends to net earnings	**37.8%**
			Long-term debt to total capitalization:	
			Parent and nonrestaurant subsidiaries	**22%**
			Restaurant subsidiaries	**47%**
			Equity per common share	**$ 44.19**
			Market price of common stock—high	**61¼**
			—low	**36⅞**
			Common stockholders	**19,100**
			Employees: Restaurant subsidiaries	**41,500**
			Pillsbury and other domestic subsidiaries	**11,200**
			Foreign subsidiaries	**3,500**
			Total	**56,200**

Year ended May 31								
1982	1981	1980	1979	1978	1977	1976	1975	1974
(Amounts in millions except per share, stockholders and employees)								
$3,385.1	$3,301.7	$3,032.0	$2,166.0	$1,704.9	$1,521.5	$1,466.1	$1,347.5	$1,127.8
228.0	201.9	191.8	160.3	142.1	123.8	107.4	81.7	62.7
136.3	119.6	104.7	83.5	71.3	62.5	53.2	42.1	32.1
136.3	119.6	104.7	83.5	72.5	62.5	45.3	39.8	34.0
21.7	20.1	20.1	18.1	17.5	17.4	16.4	15.4	15.4
$ 6.29	$ 5.95	$ 5.22	$ 4.62	$ 4.07	$ 3.59	$ 3.25	$ 2.73	$ 2.07
6.29	5.95	5.22	4.62	4.14	3.59	2.77	2.58	2.20
2.18	1.93	1.67	1.46	1.25	1.12	.975	.88	.805
92.8	89.4	78.4	55.2	44.4	40.4	38.9	32.5	25.7
25.9	21.3	19.4	17.3	14.5	14.3	10.3	7.4	6.6
99.8	95.7	99.9	69.6	52.4	49.2	45.8	31.0	31.5
$ 247.6	$ 226.8	$ 182.1	$ 152.5	$ 129.5	$ 114.2	$ 93.1	$ 85.1	$ 72.4
35.2	98.3	79.3	154.8	63.3	63.8	42.7	38.7	55.2
208.5	226.5	254.1	230.2	134.1	120.9	83.8	100.6	117.2
47.2	38.7	33.5	26.4	21.4	18.7	13.4	10.6	9.1
47.7	37.9	28.7	15.8	30.9	26.8	32.7	9.9	7.5
$1,133.0	$ 989.9	$ 938.8	$ 906.6	$ 680.6	$ 624.9	$ 506.7	$ 377.7	$ 376.6
816.5	687.6	680.1	629.8	461.9	413.6	318.1	252.6	267.2
316.5	302.3	258.7	276.8	218.7	211.3	188.6	125.1	109.4
1,009.0	950.6	857.4	741.5	486.5	428.8	366.4	349.1	304.4
597.1	631.0	552.0	509.2	298.0	267.2	228.1	243.7	216.8
890.0	747.2	664.5	577.7	452.1	401.6	352.7	260.9	232.4
1,611.8	1,486.9	1,303.6	1,174.7	820.9	725.5	629.2	540.5	474.1
2,428.3	2,174.5	1,983.7	1,804.5	1,282.8	1,139.1	947.3	793.1	741.3
1.4	1.4	1.4	1.4	1.5	1.5	1.6	1.5	1.4
2.1	2.2	2.3	3.6	5.0	5.7	4.5	3.3	3.2
2.3	2.2	2.4	2.5	2.5	2.5	2.3	2.2	2.4
7.1	7.8	7.6	10.9	14.6	14.8	9.9	8.5	7.6
3.2	3.4	3.7	3.7	3.6	3.6	3.5	3.1	3.5
29.4%	27.7%	28.0%	29.0%	29.2%	29.2%	27.9%	23.6%	24.0%
6.7%	6.1%	6.3%	7.4%	8.3%	8.1%	7.3%	6.1%	5.5%
16.6%	16.9%	16.9%	16.2%	17.0%	16.6%	14.8%	16.1%	15.4%
19.0%	18.4%	19.3%	19.6%	22.2%	21.6%	19.4%	19.1%	18.8%
34.6%	32.4%	32.0%	31.6%	30.0%	29.9%	29.6%	26.7%	26.9%
23%	31%	27%	31%	19%	20%	20%	32%	34%
50%	54%	56%	57%	55%	56%	57%	61%	62%
$ 41.03	$ 37.19	$ 33.15	$ 29.50	$ 25.84	$ 22.95	$ 20.51	$ 16.92	$ 15.05
46¾	45⅞	41¼	47¾	41¼	44½	43⅝	31¼	25⅛
35	31¼	27⅛	32	33½	34⅝	31	15¾	17¾
20,200	20,700	21,200	20,000	14,300	14,300	13,900	12,200	12,300
40,400	44,100	42,200	42,000	31,900	29,200	26,400	16,400	14,100
11,400	12,800	13,900	12,800	9,400	8,200	8,100	7,400	8,300
3,400	3,100	3,400	3,300	3,000	3,000	3,100	3,200	3,900
55,200	60,000	59,500	58,100	44,300	40,400	37,600	27,000	26,300

Corporate Data

General Offices
Pillsbury Center
200 South Sixth St.
Minneapolis, Mn. 55402
Telephone (612) 330-4966
Cable address: PILLS MPLS

Transfer Agent and Registrar
First National Bank of Minneapolis
120 South Sixth St.
Minneapolis, Mn. 55480

Annual Meeting
The annual meeting will be held at the Guthrie Theater, 725 Vineland Place, Minneapolis, Mn., at 2 p.m. Central Daylight Time, Tuesday, September 13, 1983.

Stockholder Inquiries
Stockholders interested in the current progress of the company are invited to telephone Investor Relations at (612) 330-5189.

Stock Listing
Pillsbury common stock is listed on the New York Stock Exchange and the Midwest Stock Exchange under the symbol PSY.

Dividend Reinvestment
The Automatic Dividend Reinvestment Plan permits stockholders to reinvest their dividends in Pillsbury common stock automatically, regularly and conveniently—without service charges or brokerage fees. In addition, participating stockholders may make limited periodic cash investments for the purchase of additional Pillsbury common stock on the same fee-free basis. The Plan is voluntary. Stockholders may join or withdraw at any time. Full details about the Plan are available by writing to: First National Bank of Minneapolis, Attention: Dividend Reinvestment Department, P.O. Box A799, Minneapolis, Mn. 55480.

Availability of Form 10K
Stockholders may obtain without charge and exclusive of exhibits, a copy of the 1983 Form 10K Annual Report, which is an annual filing with the Securities and Exchange Commission, by writing to Investor Relations, The Pillsbury Company, Pillsbury Center, 200 South Sixth St., Minneapolis, Mn. 55402.

Corporate Officers

Executive Office

William H. Spoor†
Chairman of the Board
and Chief Executive Officer

Winston R. Wallin†
President and
Chief Operating Officer

Richard A. Coonrod
Executive Vice President
and President,
Agri-Products Group

Roger L. Headrick
Executive Vice President
and Chief Financial Officer

John M. Stafford†
Executive Vice President
and President,
Consumer Foods Group

Edward C. Stringer
Executive Vice President
and General Counsel

John L. Morrison
Group Vice President and
General Manager,
International Group

Paul J. Kelsey
Senior Vice President,
Controller and Secretary

Jerry W. Levin
Senior Vice President,
Corporate Development

J. Jeffrey Campbell
Vice President and
Chairman and Chief Executive
Officer, Burger King Corporation

Hal W. Smith
Vice President and
Chairman and Chief Executive
Officer, S&A Restaurant Corp.

† Member, Board of Directors

James R. Behnke
Vice President, Technology

Richard T. Crowder
Vice President and
Corporate Economist

Robert H. Sayre
Vice President, Personnel
and Organization Planning

Charles S. Olcott
Vice President,
Investor Relations and Treasurer

Allan E. Fonfara
Vice President, Accounting and
Control and Assistant Controller

L. Charles Bartz
Assistant Treasurer

John E. Bohan
Assistant Treasurer

Frances I. Gamble
Assistant Treasurer

Ronald E. Lund
Assistant General Counsel
and Assistant Secretary

Thomas E. Murphy
Assistant Treasurer

C. Thomas Newberry
Assistant Controller

Lisa M. Rodysill
Assistant Secretary

Staff Officers

John E. Haaland
Vice President,
Environmental Systems

John M. Hammitt
Vice President,
Information Management

Kenneth A. Johnson
Vice President and Tax Counsel

Walter R. Mulhall
Vice President,
Public Relations

Gerald L. Olson
Vice President,
Public Affairs

Dan C. Rengers
Vice President,
Industrial Relations

Lyle T. Walker
Vice President,
Administrative Services

Robert G. Walker
Vice President,
Engineering

Virginia L. Ward
Vice President,
Human Resources