

Segment operating profit of \$2.4 billion in fiscal 2010 improved \$184 million, or 8 percent, over fiscal 2009. The increase was primarily driven by favorable supply chain costs of \$218 million, net price realization and mix of \$153 million, and volume growth of \$49 million, partially offset by a 22 percent increase in advertising and media expense and higher administrative costs.

Segment operating profit of \$2.2 billion in fiscal 2009 improved \$237 million, or 12 percent, over fiscal 2008. Net price realization and mix increased segment operating profit by \$596 million, and volume growth increased segment operating profit by \$146 million. These were partially offset by increased supply chain input costs of \$338 million, a 19 percent increase in consumer marketing expense consistent with our brand-building strategy, and higher administrative costs. In fiscal 2008, voluntary product recalls reduced segment operating profit by \$24 million.

International Segment In Canada, our major product categories are ready-to-eat cereals, shelf stable and frozen vegetables, dry dinners, refrigerated and frozen dough products, dessert and baking mixes, frozen pizza snacks, and grain, fruit and savory snacks. In markets outside North America, our product categories include super-premium ice cream, grain snacks, shelf stable and frozen vegetables, dough products, and dry dinners. Our International segment also includes products manufactured in the United States for export, mainly to Caribbean and Latin American markets, as well as products we manufacture for sale to our international joint ventures. Revenues from export activities are reported in the region or country where the end customer is located. These international businesses are managed through 34 sales and marketing offices.

Components of net sales growth are shown in the following table:

Components of International Net Sales Growth

	Fiscal 2010 vs. 2009	Fiscal 2009 vs. 2008
Contributions from volume growth ^(a)	Flat	1 pt
Net price realization and mix	3 pts	9 pts
Foreign currency exchange	1 pt	(9) pts
Net sales growth	4 pts	1 pt

(a) Measured in tons based on the stated weight of our product shipments.

In fiscal 2010, net sales for our International segment were \$2,702 million, up 4 percent from fiscal 2009. This growth was driven by 3 percentage points from net price realization and mix and 1 percentage point of favorable foreign currency exchange. Pound volume was flat, reflecting a 2 percentage point reduction from divested product lines.

Net sales totaled \$2,591 million in fiscal 2009, up 1 percent from \$2,559 million in fiscal 2008. The growth in fiscal 2009 was driven mainly by 9 percentage points of net price realization and mix and 1 percentage point of volume growth, partially offset by 9 percentage points of unfavorable foreign currency exchange.

Net sales growth for our International segment by geographic region is shown in the following tables:

International Net Sales by Geographic Region

	Fiscal Year		
	2010	2009	2008
Europe	\$ 868.8	\$ 857.8	\$ 898.5
Canada	715.6	651.8	697.0
Asia/Pacific	721.6	635.8	577.4
Latin America	396.5	446.0	385.9
Total	\$2,702.5	\$2,591.4	\$2,558.8

International Change in Net Sales by Geographic Region

	Fiscal 2010 vs. 2009	Fiscal 2009 vs. 2008
Europe	1%	(5)%
Canada	10	(6)
Asia/Pacific	14	10
Latin America	(11)	16
Total	4%	1%

In fiscal 2010, net sales in Europe grew 1 percent driven by growth in *Nature Valley* and *Old El Paso* partially offset by unfavorable foreign currency exchange. Net sales in Canada increased 10 percent due to favorable foreign currency exchange and growth from cereal and *Old El Paso*. In the Asia/Pacific region, net sales grew 14 percent due to growth from *Häagen-Dazs* shops and *Wanchai Ferry* products in China. Latin America net sales decreased 11 percent due to unfavorable foreign currency exchange, partially offset by net price realization.

In fiscal 2009, net sales in Europe decreased by 5 percent driven by 9 points of unfavorable foreign currency exchange,