

KELLOGG CO
Form 10-Q
November 05, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended October 2, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 1-4171

KELLOGG COMPANY

State of Incorporation Delaware IRS Employer Identification No.38-0710690
One Kellogg Square, P.O. Box 3599, Battle Creek, MI 49016-3599

Registrant's telephone number: 269-961-2000

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Common Stock outstanding as of October 30, 2010 368,213,884 shares

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Table of Contents**Part I FINANCIAL INFORMATION****Item 1. Financial Statements.****Kellogg Company and Subsidiaries****CONSOLIDATED BALANCE SHEET**

(millions, except per share data)

	October 2, 2010 (unaudited)	January 2, 2010 *
Current assets		
Cash and cash equivalents	\$ 559	\$ 334
Accounts receivable, net	1,211	1,093
Inventories:		
Raw materials and supplies	232	214
Finished goods and materials in process	720	696
Deferred income taxes	148	128
Other prepaid assets	135	93
Total current assets	3,005	2,558
Property, net of accumulated depreciation of \$4,666 and \$4,520	3,015	3,010
Goodwill	3,644	3,643
Other intangibles, net of accumulated amortization of \$46 and \$45	1,457	1,458
Pension	208	160
Other assets	395	371
Total assets	\$ 11,724	\$ 11,200
Current liabilities		
Current maturities of long-term debt	\$ 948	\$ 1
Notes payable	594	44
Accounts payable	1,145	1,077
Accrued advertising and promotion	454	409
Accrued income taxes	133	33
Accrued salaries and wages	161	322
Other current liabilities	344	402
Total current liabilities	3,779	2,288
Long-term debt	3,929	4,835
Deferred income taxes	431	425
Pension liability	441	430
Other liabilities	926	947

Commitments and contingencies

Equity		
Common stock, \$.25 par value	105	105
Capital in excess of par value	485	472
Retained earnings	6,087	5,481
Treasury stock, at cost	(2,528)	(1,820)
Accumulated other comprehensive income (loss)	(1,931)	(1,966)
Total Kellogg Company equity	2,218	2,272
Noncontrolling interests		3
Total equity	2,218	2,275
Total liabilities and equity	\$ 11,724	\$ 11,200

* Condensed from audited financial statements.

Refer to Notes to Consolidated Financial Statements.

Table of Contents**Kellogg Company and Subsidiaries****CONSOLIDATED STATEMENT OF INCOME**

(millions, except per share data)

(Results are unaudited)	Quarter ended		Year-to-date period ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Net sales	\$ 3,157	\$ 3,277	\$ 9,537	\$ 9,675
Cost of goods sold	1,788	1,837	5,438	5,529
Selling, general and administrative expense	828	873	2,438	2,497
Operating profit	541	567	1,661	1,649
Interest expense	62	65	188	199
Other income (expense), net	1	(10)	9	(1)
Income before income taxes	480	492	1,482	1,449
Income taxes	143	132	427	416
Earnings (loss) from joint ventures				(1)
Net income	\$ 337	\$ 360	\$ 1,055	\$ 1,032
Net income (loss) attributable to noncontrolling interests	(1)	(1)	(3)	(4)
Net income attributable to Kellogg Company	\$ 338	\$ 361	\$ 1,058	\$ 1,036
Per share amounts:				
Basic	\$ 0.91	\$ 0.94	\$ 2.80	\$ 2.71
Diluted	\$ 0.90	\$ 0.94	\$ 2.78	\$ 2.70
Dividends per share	\$ 0.4050	\$ 0.3750	\$ 1.1550	\$ 1.0550
Average shares outstanding:				
Basic	373	382	378	382
Diluted	376	384	381	383
Actual shares outstanding at period end			368	379

Refer to Notes to Consolidated Financial Statements.

Table of Contents**Kellogg Company and Subsidiaries****CONSOLIDATED STATEMENT OF EQUITY**

(millions)

(unaudited)	Common stock		Capital in excess of	Retained earnings	Treasury stock		Accumulated other comprehensive income (loss)	Total Kellogg Company equity	Non- controlling interests	Total equity	Total comprehensive income (loss)
	shares	amount	par value		shares	amount					
Balance, January 3, 2009	419	\$105	\$438	\$4,836	37	(\$1,790)	(\$2,141)	\$ 1,448	\$ 7	\$ 1,455	
Common stock repurchases					4	(187)		(187)		(187)	
Net income (loss)				1,212				1,212	(4)	1,208	\$1,208
Dividends				(546)				(546)		(546)	
Other comprehensive income							175	175		175	175
Stock compensation			37					37		37	
Stock options exercised and other			(3)	(21)	(3)	157		133		133	
Balance, January 2, 2010	419	\$105	\$472	\$5,481	38	(\$1,820)	(\$1,966)	\$ 2,272	\$ 3		