

KELLOGG CO
Form 10-Q
May 10, 2011
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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 April 2, 2011

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 April 30, 2011 362,875,825 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)

	April 2, 2011 (unaudited)	January 1, 2011 *
Current assets		
Cash and cash equivalents	\$ 404	\$ 444
Accounts receivable, net	1,367	1,190
Inventories:		
Raw materials and supplies	243	224
Finished goods and materials in process	732	832
Deferred income taxes	134	110
Other prepaid assets	171	115
Total current assets	3,051	2,915
Property, net of accumulated depreciation of \$4,816 and \$4,690	3,183	3,128
Goodwill	3,630	3,628
Other intangibles, net of accumulated amortization of \$47 and \$47	1,456	1,456
Pension	463	333
Other assets	405	387
Total assets	\$ 12,188	\$ 11,847
Current liabilities		
Current maturities of long-term debt	\$	\$ 952
Notes payable	1,078	44
Accounts payable	1,199	1,149
Accrued advertising and promotion	462	405
Accrued income taxes	92	60
Accrued salaries and wages	179	153
Other current liabilities	408	421
Total current liabilities	3,418	3,184
Long-term debt	4,905	4,908
Deferred income taxes	749	697
Pension liability	176	265
Other liabilities	636	639

Commitments and contingencies**Equity**

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Common stock, \$.25 par value	105	105
Capital in excess of par value	503	495
Retained earnings	6,325	6,122
Treasury stock, at cost	(2,835)	(2,650)
Accumulated other comprehensive income (loss)	(1,789)	(1,914)
Total Kellogg Company equity	2,309	2,158
Noncontrolling interests	(5)	(4)
Total equity	2,304	2,154
Total liabilities and equity	\$ 12,188	\$ 11,847

* 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	
	April 2, 2011	April 3, 2010
Net sales	\$ 3,485	\$ 3,318
Cost of goods sold	2,064	1,893
Selling, general and administrative expense	849	788
Operating profit	572	637
Interest expense	67	65
Other income (expense), net		1
Income before income taxes	505	573
Income taxes	140	156
Net income	\$ 365	\$ 417
Net income (loss) attributable to noncontrolling interests	(1)	(1)
Net income attributable to Kellogg Company	\$ 366	\$ 418
Per share amounts:		
Basic	\$ 1.00	\$ 1.10
Diluted	\$ 1.00	\$ 1.09
Dividends per share	\$ 0.405	\$ 0.375
Average shares outstanding:		
Basic	365	380
Diluted	368	384
Actual shares outstanding at period end	362	380

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 par value	Retained earnings	Treasury stock		Accumulated other comprehensive income (loss)	Total Kellogg Company equity	Non- controlling interests	Total equity	Total comprehensive income (loss)
	shares	amount			shares	amount					
Balance, January 2, 2010	419	\$105	\$ 472	\$ 5,481	38	\$ (1,820)	\$ (1,966)	\$ 2,272	\$ 3	\$ 2,275	
Common stock repurchases					21	(1,057)		(1,057)		(1,057)	
Net income (loss)				1,247				1,247	(7)	1,240	\$ 1,240
Dividends				(584)				(584)		(584)	
Other comprehensive income							52	52		52	52
Stock compensation			19					19		19	
Stock options exercised and other			4	(22)	(5)	227		209		209	
Balance, January 1, 2011	419	\$105	\$ 495	\$ 6,122	54	\$ (2,650)	\$ (1,914)	\$ 2,158	\$ (4)	\$ 2,154	\$ 1,292
Common stock repurchases					6	(324)		(324)		(324)	
Net income (loss)				366				366	(1)	365	365
Dividends				(148)				(148)		(148)	
Other comprehensive income							125	125		125	125
Stock compensation			3					3		3	
Stock options exercised and other			5	(15)	(3)	139		129		129	