

KELLOGG CO  
Form 10-Q  
November 05, 2013  
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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 September 28, 2013

**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  
One Kellogg Square, P.O. Box 3599, Battle Creek, MI 49016-3599

IRS Employer Identification No.38-0710690

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 26, 2013 362,197,285 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)

	September 28, 2013	December 29, 2012
	(unaudited)	*
<b>Current assets</b>		
Cash and cash equivalents	\$ 300	\$ 281
Accounts receivable, net	1,474	1,454
Inventories:		
Raw materials and supplies	331	300
Finished goods and materials in process	981	1,065
Deferred income taxes	185	152
Other prepaid assets	163	128
<b>Total current assets</b>	<b>3,434</b>	<b>3,380</b>
Property, net of accumulated depreciation of \$5,387 and \$5,209	3,777	3,782
Goodwill **	5,052	5,038
Other intangibles, net of accumulated amortization of \$59 and \$53	2,364	2,359
Pension	187	145
Other assets	406	465
<b>Total assets</b>	<b>\$ 15,220</b>	<b>\$ 15,169</b>
<b>Current liabilities</b>		
Current maturities of long-term debt	\$ 298	\$ 755
Notes payable	756	1,065
Accounts payable	1,399	1,402
Accrued advertising and promotion	512	517
Accrued income taxes	75	46
Accrued salaries and wages	257	266
Other current liabilities	537	472
<b>Total current liabilities</b>	<b>3,834</b>	<b>4,523</b>
Long-term debt	6,348	6,082
Deferred income taxes	560	523
Pension liability	886	886
Nonpension postretirement benefits	271	281
Other liabilities	425	409

**Commitments and contingencies****Equity**

Common stock, \$.25 par value	<b>105</b>	105
Capital in excess of par value	<b>620</b>	573
Retained earnings	<b>6,098</b>	5,615
Treasury stock, at cost	<b>(3,025)</b>	(2,943)
Accumulated other comprehensive income (loss) **	<b>(963)</b>	(946)
<b>Total Kellogg Company equity</b>	<b>2,835</b>	2,404
<b>Noncontrolling interests</b>	<b>61</b>	61
<b>Total equity</b>	<b>2,896</b>	2,465
<b>Total liabilities and equity</b>	<b>\$ 15,220</b>	\$ 15,169

\* Condensed from audited financial statements.

\*\* December 29, 2012 balances have been revised as discussed in Note 2 to the financial statements.

Refer to Notes to Consolidated Financial Statements.

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(millions, except per share data)

(Results are unaudited)	Quarter ended September 28, 2013	September 29, 2012	Year-to-date period ended September 28, 2013	September 29, 2012
<b>Net sales</b>	<b>\$ 3,716</b>	\$ 3,720	<b>\$ 11,291</b>	\$ 10,634
<b>Cost of goods sold</b>	<b>2,266</b>	2,254	<b>6,971</b>	6,376
<b>Selling, general and administrative expense</b>	<b>946</b>	953	<b>2,743</b>	2,699
<b>Operating profit</b>	<b>504</b>	513	<b>1,577</b>	1,559
<b>Interest expense</b>	<b>56</b>	73	<b>177</b>	195
<b>Other income (expense), net</b>	<b>4</b>	10	<b>(8)</b>	30
<b>Income before income taxes</b>	<b>452</b>	450	<b>1,392</b>	1,394
<b>Income taxes</b>	<b>124</b>	131	<b>398</b>	400
<b>Earnings (loss) from joint ventures</b>	<b>(2)</b>	(1)	<b>(5)</b>	(1)
<b>Net income</b>	<b>\$ 326</b>	\$ 318	<b>\$ 989</b>	\$ 993
<b>Net income (loss) attributable to noncontrolling interests</b>				
<b>Net income attributable to Kellogg Company</b>	<b>\$ 326</b>	\$ 318	<b>\$ 989</b>	\$ 993
<b>Per share amounts:</b>				
<b>Basic</b>	<b>\$ 0.90</b>	\$ 0.89	<b>\$ 2.72</b>	\$ 2.78
<b>Diluted</b>	<b>\$ 0.90</b>	\$ 0.89	<b>\$ 2.70</b>	\$ 2.77
<b>Dividends per share</b>	<b>\$ 0.460</b>	\$ 0.440	<b>\$ 1.340</b>	\$ 1.300
<b>Average shares outstanding:</b>				
<b>Basic</b>	<b>362</b>	358	<b>363</b>	357
<b>Diluted</b>	<b>364</b>	359	<b>366</b>	359
<b>Actual shares outstanding at period end</b>			<b>362</b>	358

Refer to Notes to Consolidated Financial Statements.



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

(millions)

(Results are unaudited)

	Quarter ended September 28, 2013			Year-to-date period ended September 28, 2013		
	Pre-tax amount	Tax (expense) benefit	After-tax amount	Pre-tax amount	Tax (expense) benefit	After-tax amount
Net income			\$ 326			\$ 989
Other comprehensive income (loss):						
Foreign currency translation adjustments*	\$ 63	\$	63	\$ (28)	\$	(28)
Cash flow hedges:						
Unrealized gain (loss) on cash flow hedges	(7)	3	(4)	5		5
Reclassification to net income	(2)		(2)	(4)		(4)
Postretirement and postemployment benefits:						
Net experience gain (loss)						