

KRAFT FOODS INC
Form 10-Q
November 05, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 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 1-16483

Kraft Foods Inc.

(Exact name of registrant as specified in its charter)

Virginia

(State or other jurisdiction of
incorporation or organization)

Three Lakes Drive,

Northfield, Illinois

(Address of principal executive offices)

Registrant's telephone number, including area code: **(847) 646-2000**

52-2284372

(I.R.S. Employer
Identification No.)

60093

(Zip Code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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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. 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 for such 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. (Check one):

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

(Do not check if a 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

At October 29, 2010, there were 1,746,773,569 shares of the registrant's common stock outstanding.

Kraft Foods Inc.

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In this report, Kraft Foods, we, us and our refers to Kraft Foods Inc. and subsidiaries, and Common Stock refers to Kraft Foods' Class A common stock.

PART I FINANCIAL INFORMATION**Item 1. Financial Statements.**

Kraft Foods Inc. and Subsidiaries

Condensed Consolidated Statements of Earnings

(in millions of dollars, except per share data)

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Net revenues	\$ 11,863	\$ 9,397	\$ 35,434	\$ 28,157
Cost of sales	7,542	6,019	22,330	18,167
Gross profit	4,321	3,378	13,104	9,990
Selling, general and administrative expenses	2,758	2,033	8,541	6,014
Asset impairment and exit costs	(9)		(9)	(26)
Losses on divestitures, net				17
Amortization of intangibles	53	6	146	15
Operating income	1,519	1,339	4,426	3,970
Interest and other expenses, net	433	323	1,496	915
Earnings from continuing operations before income taxes	1,086	1,016	2,930	3,055
Provision for income taxes	326	242	982	897
Earnings from continuing operations	760	774	1,948	2,158
Earnings from discontinued operations, net of income taxes (Note 2)		52	1,644	159
Net earnings	760	826	3,592	2,317
Noncontrolling interest	6	2	18	6
Net earnings attributable to Kraft Foods	\$ 754	\$ 824	\$ 3,574	\$ 2,311
Per share data:				
Basic earnings per share attributable to Kraft Foods:				
Continuing operations	\$ 0.43	\$ 0.52	\$ 1.13	\$ 1.45
Discontinued operations		0.04	0.97	0.11
Net earnings attributable to Kraft Foods	\$ 0.43	\$ 0.56	\$ 2.10	\$ 1.56
Diluted earnings per share attributable to Kraft Foods:				

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Continuing operations	\$ 0.43	\$ 0.52	\$ 1.13	\$ 1.45
Discontinued operations		0.03	0.96	0.11
Net earnings attributable to Kraft Foods	\$ 0.43	\$ 0.55	\$ 2.09	\$ 1.56
Dividends declared	\$ 0.29	\$ 0.29	\$ 0.87	\$ 0.87

See notes to condensed consolidated financial statements.

Kraft Foods Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(in millions of dollars)

(Unaudited)

	September 30, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	\$ 2,288	\$ 2,101
Receivables (less allowances of \$183 in 2010 and \$121 in 2009)	6,013	5,197
Inventories, net	5,735	3,775
Deferred income taxes	901	730
Other current assets	887	651
Total current assets	15,824	12,454
Property, plant and equipment, net	13,710	10,693
Goodwill	36,764	28,764
Intangible assets, net	25,476	13,429
Prepaid pension assets	195	115
Other assets	1,651	1,259
TOTAL ASSETS	\$ 93,620	\$ 66,714
LIABILITIES		
Short-term borrowings	\$ 331	\$ 453
Current portion of long-term debt	133	513
Accounts payable	5,130	3,766
Accrued marketing	1,947	2,181
Accrued employment costs	1,197	1,175
Other current liabilities	4,888	3,403
Total current liabilities	13,626	11,491
Long-term debt	29,571	18,024
Deferred income taxes	6,992	4,508
Accrued pension costs	2,424	1,765
Accrued postretirement health care costs	2,910	2,816
Other liabilities	3,115	2,138
TOTAL LIABILITIES	58,638	40,742
Contingencies (Note 13)		
EQUITY		
Common Stock, no par value (1,996,537,778 shares issued in 2010 and 1,735,000,000 shares issued in 2009)		
Additional paid-in capital	31,181	23,611
Retained earnings	16,621	14,636
Accumulated other comprehensive losses	(4,720)	(3,955)
Treasury stock, at cost	(8,202)	(8,416)

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Total Kraft Foods Shareholders' Equity	34,880	25,876
Noncontrolling interest	102	96
TOTAL EQUITY	34,982	25,972
TOTAL LIABILITIES AND EQUITY	\$ 93,620	\$ 66,714

See notes to condensed consolidated financial statements.

Kraft Foods Inc. and Subsidiaries

Condensed Consolidated Statements of Equity

(in millions of dollars, except per share data)

(Unaudited)

	Kraft Foods Shareholders Equity						
	Common	Additional	Retained	Comprehensive	Treasury	Noncontrolling	Total
	Stock	Paid-in	Earnings	Earnings /	Stock	Interest	Equity
		Capital		(Losses)			
Balances at January 1, 2009	\$	\$ 23,563	\$ 13,440	\$ (5,994)	\$ (8,714)	\$ 61	\$ 22,356
Comprehensive earnings:							
Net earnings			3,021			7	3,028
Other comprehensive earnings, net of income taxes				2,039		34	2,073
Total comprehensive earnings *						41	5,101
Exercise of stock options and issuance of other stock awards		49	(110)		298		237
Cash dividends declared (\$1.16 per share)							