Vision  To be the food company of choice.

Mission  To drive sustainable growth through the power of our people and brands by better serving the needs of our consumers, customers and communities.

With 2007 sales of nearly $12 billion, Kellogg Company is the world's leading producer of cereal and a leading producer of convenience foods, including cookies, crackers, toaster pastries, cereal bars, fruit-flavored snacks, frozen waffles, and veggie foods. The Company's brands include Kellogg's®, Keebler®, Pop-Tarts®, Eggo®, Cheez-It®, Nutri-Grain®, Rice Krispies®, Famous Amos®, Special K®, Szechuan Island®, All-Bran®, Frosted Mini-Wheats®, Club® and Kashi®. Kellogg products are manufactured in 18 countries and marketed in more than 180 countries around the world.

Financial Highlights

(dollars in millions, except per share data)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>Change</th>
<th>2006</th>
<th>Change</th>
<th>2005</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>$11,776</td>
<td>8%</td>
<td>$10,907</td>
<td>7%</td>
<td>$10,177</td>
<td>6%</td>
</tr>
<tr>
<td>Gross profit as a % of net sales</td>
<td>44.0%</td>
<td>-0.2 pts</td>
<td>44.2%</td>
<td>-0.7 pts</td>
<td>44.9%</td>
<td>-</td>
</tr>
<tr>
<td>Operating profit</td>
<td>1,868</td>
<td>6%</td>
<td>1,766</td>
<td>1%</td>
<td>1,750</td>
<td>4%</td>
</tr>
<tr>
<td>Net earnings</td>
<td>1,103</td>
<td>10%</td>
<td>1,004</td>
<td>2%</td>
<td>980</td>
<td>10%</td>
</tr>
<tr>
<td>Net earnings per share</td>
<td>2.79</td>
<td>10%</td>
<td>2.51</td>
<td>6%</td>
<td>2.38</td>
<td>10%</td>
</tr>
<tr>
<td>Basic</td>
<td>2.76</td>
<td>10%</td>
<td>2.51</td>
<td>6%</td>
<td>2.36</td>
<td>10%</td>
</tr>
<tr>
<td>Diluted</td>
<td>2.76</td>
<td>10%</td>
<td>2.51</td>
<td>6%</td>
<td>2.36</td>
<td>10%</td>
</tr>
<tr>
<td>Cash flow (net cash provided by operating activities, reduced by capital expenditure) (a)</td>
<td>1,031</td>
<td>8%</td>
<td>957</td>
<td>24%</td>
<td>769</td>
<td>-19%</td>
</tr>
<tr>
<td>Dividends per share</td>
<td>$1.20</td>
<td>5%</td>
<td>$1.14</td>
<td>8%</td>
<td>$1.06</td>
<td>5%</td>
</tr>
</tbody>
</table>

(a) Cash flow is defined as net cash provided by operating activities, reduced by capital expenditures. The Company uses this non-GAAP financial measure to focus management and investors on the amount of cash available for debt repayment, dividend distributions, acquisition opportunities and share repurchases. Refer to Management's Discussion and Analysis within Form 10-K for reconciliation to the comparable GAAP measure.

(b) Comparable 2006 earnings per share growth of 11% excludes $65 million ($42 million after tax or $.11 per share) of costs attributable to the Company's adoption of a new accounting standard that required the expensing of stock options.
At Kellogg we have an unwavering focus on the long-term health of our business.

Letter to Shareowners

Thanks to the hard work and passion of Kellogg Company employees around the world, 2007 was another year of continued sales growth, strong financial results and increased shareowner return. The growth was broad-based across categories and geographies. Here are some highlights:

- Net sales increased 8% to $11.8 billion.
- Internal net sales, which excludes the effects of currency exchange rates, increased more than 5%.
- Internal operating profit increased by 3%.
- Diluted net earnings per share (EPS) grew 10% to $2.76.
- Cash flow was over $1 billion, or 9% of net sales.
- Total shareowner return was 7%.
- The dividend was increased by 7% starting in the third quarter.
- This was our sixth consecutive year of growth in sales, operating profit and earnings per share.
- We reinvested in the business through increased brand building, innovation capability, expansion and cost-saving projects, all of which enhance our future sustainable performance visibility.

Kellogg employees achieved these solid results despite being faced with the most difficult operating environment our industry has experienced in many years. World commodity prices for many of our raw materials spiked to all-time highs. Fuel and energy inflation was dramatic, but the cost pressure did not shake the solid foundation upon which we have built our business -- a business model that is simple, resilient and designed to deliver sustainable growth. Kellogg people rose to meet this year’s challenges by delivering compelling innovation, exciting new advertising and cost efficiencies around the world.

This dedication to superior execution is characteristic of Kellogg employees everywhere, and we sincerely thank each person in our organization for their commitment to success and their passion for our business.

A proven business model. At Kellogg we have an unwavering focus on the long-term health of our business. While we are realistic about the challenges ahead, our performance in 2007 demonstrates the strength of our business model and its capacity to produce growth, even under difficult conditions.

Despite increased inflation, we continue to reinvest into our business.

Operating efficiencies. We continued the disciplined funding of projects that will provide cost efficiencies and enhanced productivity into the future. It has become a part of the Kellogg culture for employees throughout all areas of the organization to continually assess our supply chain and network for potential improvements in simplicity, effectiveness, cost control and quality. Solutions and system enhancement projects are initiated at all levels of the company, and there is a pervasive sense of accountability for keeping our cost structure lean while continuing to produce results. We believe this is the right way to run our business day-in, day-out, which is why we account for these up-front investment costs within our P&L as part of the cost of doing business. This practice avoids the need for large, one-time charges that impair earnings quality or obscure actual performance for a particular quarter or year.

Brand building. In 2007 we continued to focus on building our brands through advertising and consumer promotion. In fact, we spent more than $1 billion on advertising this year. We also focused the expertise of our marketing and promotions groups throughout the world on increasing the desirability of our brands and building consumer brand loyalty. Advertising and consumer promotions build sustainable brands sought by consumers and selected as household mainstays. We focused on increasing our presence with more targeted communications at a lower cost, allowing us to invest more in our best ideas.

By continuing these significant investments, we are building a company with a solid future of dependable performance and consistent growth. Our commitment to reinvesting in the business is a core pillar of our sustainable growth business model.
We take a global approach to innovation, expanding and adjusting our portfolio to meet consumer needs around the world.

**Innovation.** Kellogg drives development and visibility of a robust pipeline of new products. In 2007 we continued our commitment to this key growth driver by increasing our innovation. We take a global approach to innovation, expanding and adjusting our portfolio to meet consumer needs around the world. More than 270 new products or adaptations of other successful products were introduced in 2007 alone and we generated nearly $2 billion, about 17% of sales, from products launched within the past three years. These results exceeded our long-term target of 15% of net sales from innovation and helped drive another year of improved sales volume, price and mix for Kellogg Company.

Our innovation teams around the world are focused on developing value-added and differentiated products that provide additional sales and/or improved economics. This focus continually improves our already-strong portfolio by improving mix and producing higher returns. Strong innovation, backed with solid marketing support, will drive top-line growth and keep our categories vital. Our commitment to investing in innovation and research and development is another core pillar of our sustainable growth business model. In line with this, we are expanding the facilities and capabilities of our state-of-the-art global research and development center, the W. K. Kellogg Institute for Food and Nutrition Research. This is one way we will continue to drive top-line growth.

**Realistic targets.** Every day, we manage our business in a way that supports its dependable, sustainable performance. Our long-term targets of low single-digit net sales growth, mid single-digit operating profit growth, and high single-digit EPS growth encourage Kellogg people to prioritize their activities and make good decisions that support the long-term health of our business – not simply hit short-term, unsustainable goals. Realistic targets drive the behaviors and decisions that most effectively deliver sustainable growth. It’s the right way to run our business and is responsible management of our shareowners’ interests.

**Financial vision.** Strong cash flow generation. The ability to generate cash is an essential component of a financially healthy company. As a result of strong net earnings, disciplined capital expenditures and sound balance sheet management, our cash flow in 2007 was over $1 billion, delivering again on our Manage for Cash operating principle. Combined with our focused business strategy, our disciplined financial strategy creates a solid platform for sustaining cash flow for years to come.

**Disciplined expenditure.** Following the Manage for Cash principle keeps Kellogg people around the world focused on continually exploring strategies for decreasing the amount of cash committed to working capital. It is part of the way we manage our business every day. Furthermore, we are committed to carefully planning and prioritizing the amount of cash we spend each year on capital expenditures. In 2007 this disciplined financial strategy again enabled continued and rigorous review of costs while, importantly, funding the investments that will grow and sustain our business.

**Flexibility.** Our strong cash flow allows us to actively make decisions based on what is best for sustaining our business and for building shareowner return. In addition, our cash flow gave us the flexibility to repurchase 12.4 million shares of Kellogg Company stock, increase the quarterly dividend paid to shareowners and acquire companies in key geographies or product lines that fit with our strategy.

**A clear and focused strategy.** The focal points for building our business have remained constant over the past six years:

- Grow our cereal business
- Expand our snacks business
- Pursue selected growth opportunities

We remain committed to this simple strategy because it works. The effectiveness of our strategy is proven, and our results in 2007 and the momentum with which we enter 2008 are indicators of its continued relevance. Kellogg people around the world have embraced our strategy.
Some of our strategic growth opportunities will show tremendous potential right away, while others will take time and further investment to grow. Because we manage our business for long-term performance with realistic targets, we have the flexibility to make strategic investments that strengthen the health of our company. Late in 2007 we made acquisitions relating to Bear Naked Inc., maker of all-natural granola and trail mixes, and Gardenburger brand.

Our emerging markets growth strategy moved forward significantly in 2007. We grew our ready-to-eat cereal market share in Turkey to 22%. Before our 2006 joint venture with local Turkish food distributor, Ülker, our market share was just 2%. We are actively exploring other international alternatives and have identified Eastern Europe and Asia as areas where we can enter developing markets with immediate scale and distribution capabilities.

Early in 2008 we acquired The United Bakers Group (UB), one of Russia’s largest cracker, cookie and breakfast cereal producers. UB’s products, marketed primarily under the Yantar and Lyubyatovo brands, are a good strategic fit with the Kellogg portfolio and expand our presence in international snacks and cereal markets.

This acquisition is a long-term investment that provides Kellogg with a tremendous platform for growth in a large and fast-growing market. We will leverage Kellogg Company’s brand-building and innovation expertise, our understanding of the biscuit and ready-to-eat cereal categories, with UB’s existing manufacturing, sales and distribution infrastructure to drive continued strong growth of this business. We have stringent criteria for assessing growth opportunities, and this investment was selected for its ability to create value in the long term and contribute to the sustainable, dependable growth of Kellogg Company.

2007 summary. Our business model and our focused strategy served us well in 2007. Throughout the year, Kellogg people around the world successfully managed difficult external challenges – unprecedented commodity price increases and continued tough competition – and delivered another year of strong earnings and increased shareowner value. Each quarter of 2007, Kellogg Company was faced with higher input costs, and each quarter we were able to grow our business and increase our investment in cost-efficiency projects. We raised our 2007 annual earnings guidance twice during the year and ultimately delivered solid results. This performance speaks to the power of our business model, and we remained focused on it despite the added challenges. In 2007, we continued to reinvest into our businesses through increased brand building and additional cost-saving projects. We continued to invest wisely in key growth opportunities in strategic categories and geographies. Our innovation pipeline continues to be substantial and dynamic.

Entering 2008 with momentum. With our success and continued investments in 2007, we enter 2008 with confidence. Commodity and energy prices are projected to remain high and volatile, and competition in the marketplace will likely intensify. The year ahead will no doubt be challenging. However, because our business model works, we are confident in our ability to deliver strong results yet again in 2008. We are confident we will grow net sales, grow operating profit, and continue to reinvest in our business for future growth. In short, while delivering strong growth in 2007, Kellogg people around the world have set the stage for another year of strong performance in 2008.

Finally, we thank our shareowners for valuing our long-term perspective on growth and investment. We are steadfast in our commitment to delivering sustainable, dependable performance in the future.

David Mackay
President
Chief Executive Officer

Jim Jenness
Chairman of the Board
By continuing to focus on nutrition, taste and convenience, Kellogg innovation really resonated with consumers.

Global Operations

North America Ready-to-eat cereal. In 2007 we saw sustained growth in our North American Retail Cereal business. Plus, measured channel share grew for the full year to 34.1%, making this the seventh consecutive year of share growth in the U.S. retail ready-to-eat cereal category.

By continuing to focus on nutrition, taste and convenience, Kellogg innovation really resonated with consumers. Our innovations, including Special K Chocolatey Delight, proved a big success both at breakfast and as an evening snack. Plus, perennial favorites Raisin Bran Crunch cereal and Special K cereals responded well to our advertising strategies.

Rice Krispies, one of our oldest brands, also experienced a strong year, thanks to the introduction of Rice Krispies with Real Strawberries and our “Childhood is Calling” advertising campaign. Great innovation continued in kid’s cereals with Frost Loops Smoothie and Corn Pops Peanut Butter, which had new advertising campaigns. Each of these innovations lifted base brand sales as well.

All-Bran continues to be one of our strongest global brands, and we launched All-Bran Strawberry Medley cereal in the U.S. in January 2008. Kashi had another successful year and added to its popular line with Kashi GoLean Heart to Heart Blueberry cereal and Kashi GoLean Honey Almond Crunch cereal, which contains DHA omega-3.

Throughout the U.S., consumers are having “milk-sippin’ fun” with new Kellogg’s Cereal Straws launched with Cocoa Krispies and Frost Loops flavors.

Canada’s cereal business had a strong year. New products such as Special K Fruit & Yogurt, All-Bran Guardian, Frosted Mini-Wheats Strawberry and Rice Krispies Vanilla cereals, added to the strong sales growth. Additionally, our largest cereal brand in the Club channel, Special K, experienced broad growth.

Snacks. North American Retail Snacks had a very good 2007. Our business, consisting of cookies, crackers, wholesome snacks, fruit-flavored snacks and toaster pastries, lapped strong 2-year growth rates by building on 11% in 2006 and 7% in 2005. We posted 7% internal sales growth to finish the year.

We’re able to maintain sustainable growth by building existing brands and targeting innovation by utilizing our DSD (Direct Store Delivery) distribution system. Recently, the Advantage Group Performance Monitor rated the Kellogg DSD system #1 among all snack food companies.

We increased advertising at a double-digit rate and had a particularly good innovation year with portion-controlled packs. In 2006 we introduced 100 Calorie Right Bites packs in Cheez-It, Kashi GoLean Crackers, a strong performer rated best snack cracker by Women’s Health magazine. All-Bran continues to grow in U.S. popularity.

Our Cookie business was important to our growth, with measured category share rising in 2007. This was driven by innovations such as Sneliles Butter Pecan Drops and Keebler Dipping Delights. Echoing this positive progress was a strong performance from Famous Amos.

In 2007 innovation drove strong sales in Wholesome Snacks with the performance of Nutri-Grain Fruit & Nut bars, along with new flavors of Kashi’s Crunchy Nut Sweet & Salty bars. Special K and Special K Honey Nut bars were also a huge success.

Canada had solid performances from the popular All-Bran Snack Bites, Munch’ems, Nutri-Grain, and Kellogg’s Crunchy Nut Sweet & Salty bars.

Our Special K brand extended its global reach with protein water and meal and snack bars, showing that “The Difference is K” for many consumers. As we look forward to 2008, we are excited about the move of Kashi snacks (bars, cookies, crackers) to the DSD distribution system.

The Pop-Tarts toaster pastry business continues to be strong and retains a category share above 86%. During 2007, we launched Pop-Tarts Printed Fun, debuting with Trivial Pursuit and Barbie editions. This exciting innovation allows consumers to enjoy edible printing on their favorite toaster pastries.

Other snacks that performed well include Kashi snack bars, which continue to have significant repeat consumer purchases. Fruit Snacks were innovative in the natural-organic channel with FruitBis Smoooshed fruit products and in the grocery channel with Stretch Island fruit leathers and Yogos fruit flavored snacks. Fruit Flavored Snacks were moved into the DSD system to provide additional sales opportunities and allow these products to gain shelf presence.
Europe’s growth was broad-based across countries and categories – driven by strong commercial programs, category-leading product innovations and a double-digit increase in advertising investment.

Global Operations

Frozen and Specialty Channels.
Solid performance came from Frozen and Specialty Channels, with sales rising 6% for the year, building on 8% growth in 2006 and 2005.

Frozen. In 2007 sales in our Frozen business grew, driven by a double-digit increase in advertising from 2006. Our leading market share in frozen breakfast products grew because of strong innovation in Eggo Blueberry pancakes, Eggo waffles and Eggo Stuffed French Toaster Sticks. In addition, our healthy waffle segment had solid growth with the launch of Nutri-Grain Cinnamon waffles and Special K Red Berries waffles.

Our Veggie Food business, under the Morningstar Farms brand, continues to perform well. In 2007 we added to the popular Morningstar Farms sausage patties with the introduction of Breakfast Starters and Breakfast Bites. Our consumers continue to “see veggies differently” with creative new choices like Mushroom Mozzarella Veggie Bites. Consumers can now enjoy meatless diet choices with our product line from breakfast to dinner. With our acquisition of Gardenburger veggie foods, we will be producing more exciting innovations.

With “7 whole grains on a mission,” Kashi continues to provide additional growth opportunities with its popular frozen line. Kashi waffles are off to a good start, and the new frozen entrees and pizzas have performed above expectations. We saw a strong response to three additional entrees and introduced three new pizza varieties in 2007.

Another strength is our Club business, which continued to successfully build the Kashi brand franchise. The launches of Kashi frozen entrees and pizzas were key to the brand’s continued success in Club.

Specialty Channels. Growth in our Specialty Channels business was driven by Food Away From Home, as well as Convenience and Drug channels. Success continued with our strategy to leverage key equities for channel relevance. This was clearly illustrated in our successful launch of JumpStarts breakfast kits for the K-12 school segment. This convenient breakfast alternative for public schools is designed to provide students access to a quality breakfast.

And finally, the success of our Convenience/Drug business continued from leveraging core equities, such as the introduction of single-serve Keebler Soft Batch cookies for convenience stores. This, along with broad wins in the Drug channel through efficient participation in key promotion periods such as back to school and New Year’s resolution, also contributed to our continued success.

Europe
Kellogg Europe turned in another solid year in 2007. In what continues to be a challenging operating environment, overall sales increased mid single-digits, lagging similar growth in 2006. Europe’s growth was broad-based across countries and categories – driven by strong commercial programs, category-leading product innovations and a double-digit increase in advertising investment.

Our two most developed markets, U.K. and Ireland, posted mid single-digit growth in cereal and even stronger growth in snacks. We increased our share in a U.K. ready-to-eat cereal category that continued to show strong growth. We also grew share in the cereal bar category in both markets. Programs like our Special K “Drop a Jeans Size” proved very effective in engaging consumers. And there was strong response to cereal innovations like Special K Sustain and Coco Pops Creations. Special K Mini Breaks snacks were introduced in the second half of the year to a strong start, and both Rice Krispies Squares and Rice Krispies cereal enjoyed tremendous growth, driven by engaging advertising campaigns.

Adult consumption of cereal continues to expand across the region. Optivita, our heart health cereal, was launched, and combined with market leader Special K, continued to drive our adult business.

Southern Europe reported the strongest growth across the area, with high single-digit sales increases in both Italy and Spain. With per capita cereal consumption in these markets below the levels of Northern Europe, further growth potential exists.

Our Snacks business in these markets is still young and continues to expand rapidly, helped by increased availability and inclusion in major cereal programs.

Performance in France, our second largest European market, was also positive with mid single-digit growth in cereal.
Latin America
Kellogg Latin America continued to grow and showed strong performance through 2007. Our Mexico business has now grown to be our third largest business, behind the U.S. and U.K. Double-digit sales growth in Brazil, Colombia, Ecuador and Venezuela was the result of strong growth in advertising investment and the rollout of our Snacks portfolio. Throughout Latin America, our results were driven by strong performance of existing brands like Zucaritas (Frosted Flakes) and All-Bran.

We continued to strengthen the relevance of the cereal category with investments in innovation of popular brands like Special K and Choco Krispis.

With programs like the Special K Challenge, we were able to attract and retain new consumers. We continue to build the Special K brand, including ready-to-eat cereal, as well as snack products such as Special K Delicia (Bliss) Bar.

We expanded our presence in Mexico with the growth of healthy drinks (All-Bran ready-to-drink). Sales for this business were significantly above our expectations, driven by excellent consumer response.

Asia Pacific
Sales in Asia Pacific were about flat for 2007 as a difficult competitive environment in Australia was offset by strong sales increases across the rest of our Asian business unit. This year’s growth in Asia was driven by our existing Ready-to-eat cereal businesses in Korea, South Africa and India, as well as our new Wholesome Snacks business in Japan and Korea. Our success in these categories is based on our efforts to entice consumers with programs that combine global learnings with local expertise.

It was another strong year for Japan and Korea. Our Snacks business enjoyed its first full year in Japan, and Wholesome Snacks were launched in Korea in June 2007. Our consumer programs were well tested and grounded in strong consumer insights. We effectively engaged Asian consumers with advertising and innovations built largely off power brands like All-Bran and Special K.

Kellogg Company’s growth in India was based on continued brand-building investment in our two core brands, Kellogg’s Corn Flakes and Chocos. Innovation contributed to growth with the launch of single-serve cereal pouches.

In Australia, we faced strong competitive headwinds in both Ready-to-eat cereal and Snacks, and while total sales declined, we are encouraged by the aggressive strategy we have in place to move this business forward in 2008. We re-focused our media spend and advertising efforts, and we are putting emphasis on developing a more sustainable innovation plan. Australia saw success with healthy brands such as All-Bran and Whole Grain Mini-Wheats cereal. Snacking brands that performed well include ELM Shakes, Kellogg’s Crunchy Nut bars and the re-launch of Be Natural bars, which have quickly gained a 2.2% share. Our Australian business is a good one for Kellogg, and we are putting steps in place to support a strong future.
For more than a century, our company has built its success around a portfolio of powerful global brands that continue to be as relevant to our consumers’ needs today as when they were first created.

Sustainable Dependable Global Brands

For more than a century, our company has built its success around a portfolio of powerful global brands that continue to be as relevant to our consumers’ needs today as when they were first created. Key to their success has been anchoring our brands to global needs, continuing to build the relationship between our brands and consumers through strong marketing and innovation, and leveraging our Global Marketing Network to share ideas and maximize global growth opportunities.

Sustainable. Special K, All-Bran and Rice Krispies are just three brands in our global portfolio that illustrate the continuing relevance of Kellogg. The international popularity of these brands demonstrates Kellogg Company’s ability to adjust to and capitalize on changing consumer dynamics and trends, creating new growth opportunities and momentum.

Dependable. Through our Global Marketing Leadership Team (GMLT), we have the ability to ensure the transfer of winning ideas and best practices around the globe. This allows us to quickly leverage success across the Kellogg world and maximize the strength of our brands. The GMLT meets to share best practices and insight around the globe.

Performance. By taking a cue from the mantra “Think Globally, Act Locally,” we are able to look for areas of global commonality and drive scale to our global brand initiatives in innovation, promotion and consumer ideas. Recognizing the differences that are so often required at a local level allows Kellogg Company to execute marketing programs effectively. Through a portfolio of powerful brands, strong marketing leadership and a culture focused around the power of ideas, we have been able to create a platform of sustainable, dependable growth across the Kellogg world.

To help consumers make informed food decisions, Kellogg rolled out front-of-pack labeling on ready-to-eat cereal packages in a number of markets, including Europe, Australia, North America, Mexico and Korea. The easy-to-use front-of-pack summary gives a snapshot of how a food fits into an individual’s daily diet and complements existing nutrition labels. This system was first launched by Kellogg in Europe and Australia, where it has been well received and adopted by the food industry and some retailers.

In June 2007, Kellogg announced a global commitment to adjusting how and what we market to children under 12. We established a global nutrient standard (Nutrient Criteria) based on a broad review of scientific and government reports. Kellogg will apply the Nutrient Criteria to all of our products marketed to children around the world. Products that don’t meet the criteria will either be reformulated or they will not be marketed to children under 12 years of age. The Nutrient Criteria will also guide future innovation and product development. Over time, the company will work toward providing consumers with even more product choices featuring enhanced nutritional value.

For more information, please visit www.kelloggnutrition.com and www.kelloggcompany.com.
Our company was founded on a commitment to people and doing business in a responsible manner. This commitment continues to guide us today and serves as the foundation of our efforts to drive sustainable business results.

Our People

Kellogg Company’s focus on people builds on the investment in people which our founder, W. K. Kellogg, dedicated himself to more than 100 years ago.

Our culture is the foundation of everything we do, and our K Values continually remind us that how we generate business results is just as important as the results themselves. An important part of maintaining an effective culture is gathering feedback from our employees on a regular basis.

In 2007 we conducted our third in a series of culture surveys designed to gauge employee perceptions of our work environment, advancement opportunities and ability to do their work. Results of this survey will help us ensure that our people have the necessary information and opportunities to contribute their best work and build satisfying careers.

Kellogg has long emphasized having a diverse and inclusive culture that reflects our consumer base. The company’s focus on diversity and inclusion ensures that

Three important factors make Kellogg Company great: our people, their passion for excellence and their pride in our products. Kellogg Company’s almost 26,500 employees are talented and dedicated to helping the company achieve its business results. Our Human Resources strategy focuses on making certain that Kellogg has the strongest possible teams around the world to help us achieve our vision of becoming the food company of choice.

A Talent Powerhouse. The competition for qualified individuals is more intense than ever before. If Kellogg is to fulfill its vision to be the food company of choice, we must also strive to be an employer of choice.

Our people programs are designed to attract and hire the best people. Yet, hiring talented individuals isn’t enough. To retain our employees and make sure they are prepared for current and future roles, we’ve implemented programs that help employees navigate the onboarding process, build their skill sets, identify career growth opportunities, and become effective people managers.

Kellogg Leaders, Today and Tomorrows. Strong, effective leaders are paramount to Kellogg Company’s success now and in the future. Our leadership programs ensure a deep pool of management talent throughout the organization – so that we’re prepared not only for filling key positions in the near future, but are creating the next generation of Kellogg leaders. We clearly define what is expected from a Kellogg leader and are focused on building each leader’s ability to engage and develop our employees while driving business results.

Creating Synergy and Efficiency. By sharing ideas and best practices around the Kellogg world, we’re able to create synergy among our business units. We’re looking at technological solutions to simplify, standardize and automate many of our processes, which will ensure that our global infrastructure

An employer of choice:

Hispanic Business – Kellogg in Top 60 Companies for Hispanics
DiversityInc – Kellogg in Top 25 Noteworthy Companies for Diversity
LatinaStyle – Kellogg in Top 50 Companies for Latinas
Black Enterprise – Kellogg in 40 Best Companies for Diversity

Our business leaders and employees are active participants in creating a work environment that values differences in thought, culture, experiences and background. Our employee affinity groups – Kellogg Multinational Employee Resource Group (K-MERG), Kellogg African American Resource Group (KAARG), Hispanic Resource Group (HOLA), Women of Kellogg (WOK) and Young Professionals (YP) – promote cultural and generational awareness and provide developmental opportunities and professional mentoring.

This commitment continues to guide us today and serves as the foundation of our efforts to drive sustainable business results.

Our company was founded on a commitment to people and doing business in a responsible manner.
Environmental Sustainability

Our Environmental Commitment. Kellogg Company is committed to minimizing the environmental impact of our business while being socially and economically responsible.

At Kellogg we strive to conduct and grow our business in a manner that protects the environment and demonstrates good stewardship of the world’s natural resources. We work toward continual improvement through the development of specific programs that address the environmental cost and impact of our activities, products and services. These programs include a commitment to use resources efficiently, minimize waste, and promote resource conservation.

Energy Improvements and Climate Change. In 2006 we implemented a global energy-management program to promote conservation, manage energy use, and investigate energy savings opportunities including alternative fuels and renewable energy.

In the U.S., Kellogg joined the Environmental Protection Agency’s (EPA) Climate Leaders program, a voluntary government-industry partnership designed to measure and reduce greenhouse gas (GHG) emissions. The EPA works closely with each company in the program to review its GHG Inventory and Inventory Management Plan and provide guidance in setting a GHG emissions reduction goal. Kellogg Company’s primary source of GHG emissions is the use of energy at our manufacturing facilities and in our transportation fleet.

Focusing on efficiency improvements in our operations has helped reduce our energy consumption, thereby reducing our GHG emissions. Our energy use per pound of product produced has declined by more than 15% during the past 10 years.

Our Global Logistics team aggressively searches for ways to deliver more products with fewer vehicles and less energy use. Case-size adjustments, use of intermodal transport, and product sourcing choices all contribute to our saving thousands of gallons of fuel annually. For example, 8 million truck miles have been eliminated by making a case-size change for several cereal products. In addition, our fleet vehicles automatically shut down after five minutes of idle time.

Packaging Efficiency. Our packaging serves many important functions, such as protecting our products, maintaining freshness and providing a means to communicate to consumers.

Using advances in technology, our packaging team has proactively minimized packaging, reduced liner weight and paperboard quantity by millions of pounds annually. For example, 25 million pounds of paper packaging have been eliminated through a waste reduction initiative associated with bulk material shipping. By taking out the board on Special K bars, we’ve eliminated 4 million pounds of packaging, and liner reductions in 2006 eliminated more than 3 million pounds of plastic packaging.

We also look to optimize the use of materials that are recyclable and contain significant recycled content. In fact, the first box of Kellogg’s Corn Flakes came off the line packaged in 100% recycled paperboard, and Kellogg has used recycled board for most of our products since 1906 – we are one of the largest users of recycled paperboard in the U.S.

Waste Management. We are always looking for ways to improve our waste management programs practicing the 3Rs: Reduce, Reuse, Recycle.

Our manufacturing facilities recycle more than 80% of waste generated. At two of our cereal plants, we implemented a program that diverts an additional 1,000 tons of waste per year from landfills to recycling. Our Bremen, Germany, plant sends zero waste to landfill, and our London, Ontario, Canada, plant is not far behind, with more than 95% of the waste generated on-site sent for recycling.

Water Usage. We are also doing our part to minimize water use. Our Queretaro, Mexico, plant was given the highest award with a “Recognition to Environmental Excellence,” which will be awarded to the company from President Calderon. The plant reuses 57 million gallons of water every year. And earlier this year, washing equipment was redesigned to reduce water use by 7 million gallons.

Where We Are Going. In 2007 we implemented several innovative campaigns to promote the restoration of natural resources.

In Ireland, Kellogg’s Corn Flakes “Give the Gift of Trees” campaign has donated more than 45,000 trees to the charity Bóthar. To see a rolling ticker that provides regular updates on the number of trees donated, please visit www.kelloggs.ie/whatson/makealifeshine. The site also provides more information about the positive impact this project will have on communities in Africa.

In the U.S., Stretch Island Fruit Co., makers of Fruitables fruit snacks, is helping fund the efforts of the Fruit Tree Planting Foundation. Orchards will be donated to public schools in low-income areas throughout the U.S. to provide generations of students and teachers with healthy nutrition options and environmental education opportunities. The brand kicked off the partnership with the Fruit Tree Planting Foundation with three orchard plantings in 2007 and plans to fund the planting of 25 to 30 orchards by the end of 2008.

We recently formed a cross-functional Environmental Stewardship Council to further drive our sustainability efforts. Beginning in 2008 we are committed to providing greater transparency to our shareholders on the environmental impact of our business. Although we have many things to be proud of, we realize we are just beginning this challenging journey toward becoming an environmentally sustainable company.

Please visit www.kelloggcompany.com for more information and updates on our environmental sustainability efforts.

This year we’ve implemented several innovative campaigns to promote the restoration of natural resources.
As a responsible corporate citizen, Kellogg Company invests in the communities where we have significant operations. We partner with organizations to provide funds, food and other resources to help improve people’s lives. In keeping with our company’s more than 100-year heritage of nutrition leadership, our most important corporate-giving priority is nutrition education and physical fitness. In addition, we support programs that improve opportunities for minorities and women and build stronger communities. Since 2003, Kellogg has contributed more than $40 million in cash and $120 million in products to charitable groups around the world.

**Nutrition Education and Physical Fitness.** As a company that produces food products and promotes eating well and healthy living, our commitment to nutrition education and physical fitness includes providing food donations and funds to partner organizations. Organizations and initiatives we support include:

- **YMCA of the USA.** Kellogg Company has contributed funds to support Action for Healthy Kids, the YMCA’s response to the nation’s growing health crisis. Kellogg Company’s donation will help the YMCA improve the way it works with health seekers and their families, and with school-age youth in YMCA child-care programs.

In addition, 24 YMCAs received grants to provide physical activity programs for underserved youth in communities where Kellogg operates. The Kellogg’s Opportunity to Play grants helped fund activities from basketball to wall climbing in 11 U.S. states.

- **America’s Second Harvest.** Kellogg has an extensive partnership with America’s Second Harvest, the nation’s largest charitable hunger-relief organization. Each year Kellogg donates nearly $25 million of food products, which are distributed through the organization’s network of more than 200 food banks and food-rescue organizations. America’s Second Harvest recognized Kellogg with the Group Volunteer Service of the Year award in 2007.

- **Joint Aid Management.** Kellogg is partnering with South Africa-based Joint Aid Management (JAM) to develop Health Is Vital, a nutritional intervention program for people living with HIV/AIDS. This program will provide a stable supply of food to strengthen the bodies of those on anti-retroviral treatment, while also increasing the effectiveness of the treatment.

- **The Global FoodBanking Network™.** In 2007 Kellogg became a founding partner of The Global FoodBanking Network. Funds provided by Kellogg will further support our commitment to hunger-relief efforts around the world and will particularly assist with food-banking development projects in Mexico, Guatemala and South Africa.

- **United Way.** Kellogg is a long-time supporter of United Way. In 2007 Kellogg pledged a total of $4.65 million to campaigns that will benefit 26 communities. In addition, more than 1,500 volunteers participated in service projects as part of Days of Caring. United Way recently recognized Kellogg Company with the Spirit of America Corporate Community Investment Summit Award.

**Corporation Social Responsibility**

As part of Kellogg’s support in Mexico, Kellogg Mexico participated in a food collection organized by the Mexican Association of Food Banks (AMBA). The national collection was called “Un Mexicano sin Hambre” (For a Mexico without hunger). Employees from Kellogg Mexico, together with their friends and families and Kellogg suppliers, collected more than 140,000 pounds of food for the Food Bank in Queretaro.

**Joint Aid Management.** Kellogg supports summer fellowships for students who have completed at least one year of law school to work at the NAACP’s National Legal Department. The law fellows work with civil rights attorneys on issues such as criminal justice, education, housing, voting rights and environmental justice.

**Girls on the Run.** Kellogg supports Girls on the Run in its efforts to provide experiential learning programs that help enhance self-esteem in young girls. Kellogg’s Frosted Flakes launched a three-year partnership with the organization in 2005 as part of its Earn Your Stripes initiative. The national partnership encourages girls ages 8 to 13 to be more active, eat right and live a balanced and healthy lifestyle.

**Building Stronger Communities.** We strive to make a difference in the communities where we operate. We support organizations that work to strengthen communities by addressing economic and social development issues.

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**Board of Directors (from left to right)**

**Corporate Officers**

Celeste A. Clark*  
Senior Vice President  
Global Nutrition and Corporate Affairs

Gary H. Pilnick*  
Senior Vice President  
General Counsel and Secretary  
Corporate Development

Margaret R. Bath*  
Vice President  
Research, Quality and Technology

John T. Dillon
(A*,C,E,N)
Retired Chairman and Chief Executive Officer, International Paper Company  
Elected 2000

Claudio X. Gonzalez
(M*,C,E,N)
Chairman and Chief Executive Officer, Kimberly-Clark de Mexico  
Elected 1990, Retiring April 2008

Sterling K. Spear
(M,S)
President and CEO, W. K. Kellogg Foundation  
Elected 2007

Dorothy A. Johnson
(O*,E,M)  
President, Algur Company  
President Emeritus, Council of Michigan Foundations  
Elected 1998

James M. Jenness
(E*)  
Chairman of the Board, Kellogg Company  
Elected 2000

Claudio X. Gonzalez
(M*,C,E,N)  
Chairman and Chief Executive Officer, Kimberly-Clark de Mexico  
Elected 1990, Retiring April 2008

Benjamin S. Carson, Sr., M.D.
(A,M)  
Professor and Director of Pediatric Neurosurgery, The Johns Hopkins Medical Institutions  
Elected 1997

Donald R. Knauss
(A,M)  
Chairman and Chief Executive Officer, The Clorox Company  
Elected 2007

A. D. David Mackay
(E)  
President and Chief Executive Officer, Kellogg Company  
Elected 2005

Robert A. Steele
(A,M)  
Vice Chairman—Global Health and Well-Being, Procter and Gamble  
Elected 2007

James M. Jenness
(E)  
Chairman of the Board, Kellogg Company  
Elected 2000

John A. Bryant*
(Executive Vice President, Chief Financial Officer, President, Kellogg North America)

Jeffrey W. Montie*
(Executive Vice President, President, Kellogg International)

Gary H. Pilnick*  
Senior Vice President  
Corporate Development

Margaret R. Bath*  
Vice President  
Research, Quality and Technology

James M. Jenness*
Chairman of the Board

A. D. David Mackay*
President and Chief Executive Officer

Member, Board of Directors

John A. Bryant*
Executive Vice President  
Chief Financial Officer  
President, Kellogg North America

Jeffrey W. Montie*
Executive Vice President  
President, Kellogg International

**Committees**  
A = Audit  
C = Compensation  
E = Executive  
S = Social Responsibility  
*Committee Chair  
M = Consumer Marketing  
N = Nominating and Governance

Global Leadership Team, from left to right: Paul Norman, Margaret Bath, Donna Banks, Jeff Monte, Jeff Boromisa, Kathleen Wilson-Thompson, Jim Jenness, David Mackay, John Bryant, Tim Mobsby, Ruth Bruch, Dave Platzerisky, Juan Pablo Villalobos, Brad Davidson, Gary Pilnick and Celeste Clark