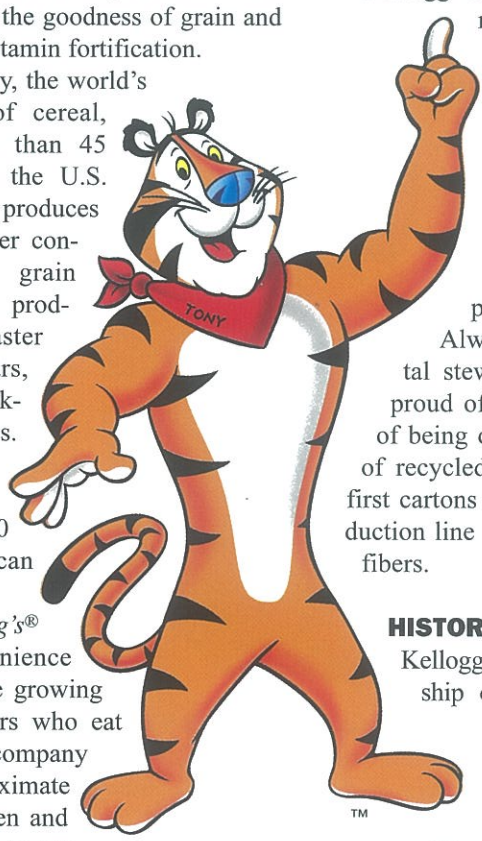
Kellogg's®

THE MARKET

Grain-based products are at the heart of a healthy American diet. Six to eleven servings a day of products made from grain are recommended by the U.S. Department of Agriculture's food pyramid.

As Americans build grain-based foods into their diets, ready-to-eat cereal plays a most important role. The average U.S. resident consumes nearly 11 pounds of ready-to-eat cereal a year, providing both the goodness of grain and the added value of vitamin fortification.

Kellogg Company, the world's leading producer of cereal, manufactures more than 45 cereal products for the U.S. market. Kellogg also produces a wide-range of other convenient, nutritious, grain and vegetable-based products, including toaster pastries, cereal bars, frozen waffles, cookies, and veggie foods. Kellogg Company's name is found in the pantries of almost 90 percent of American homes.



Even as *Kellogg's®* great-tasting convenience foods respond to the growing number of consumers who eat "on the run," the company also serves the approximate 70 percent of children and adults who continue to eat breakfast at home.

ACHIEVEMENTS

Headquartered in Battle Creek, Michigan, Kellogg Company has a 95-year heritage of excellence and a reputation for products that provide value and contribute to a healthy diet.

With projected annual sales of more than $9 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, frozen waffles, meat alternatives, pie crusts, and cones.The company's brands include *Kellogg's, Keebler, Pop Tarts, Eggo, Cheez-It, Nutri-Grain, Rice Krispies, Murray, Austin, Morningstar Farms, Famous Amos, Carr's, Planation, Ready Crust,* and *Kashi.* Kellogg icons such as *Tony the Tiger* and *Snap! Crackle! Pop!* are among the most recognized characters in advertising. These characters are recognized by 97 percent of American children.

Over the years, *Kellogg's* products have won professional as well as consumer acclaim. For example, in 1999, *Kellogg's Raisin Bran Crunch* cereal became the only U.S. cereal ever to win advertising's prestigious Gold Lion Award.

Kellogg Company has compiled a long record of food industry leadership and global business growth. Kellogg products are manufactured in 19 countries and marketed in more than 160 countries around the world.

Kellogg Company also has a substantial record of social and environmental responsibility. The company has often been recognized for its social responsibility and responsiveness to employees. In addition, Kellogg Company's largest share owner, the W. K. Kellogg Foundation, is one of the world's leading philanthropic organizations.

Always committed to environmental stewardship, Kellogg Company is proud of its nearly century-long record of being one of the world's largest users of recycled paperboard. In fact, the very first cartons that came off the Kellogg production line in 1906 were made of recycled fibers.

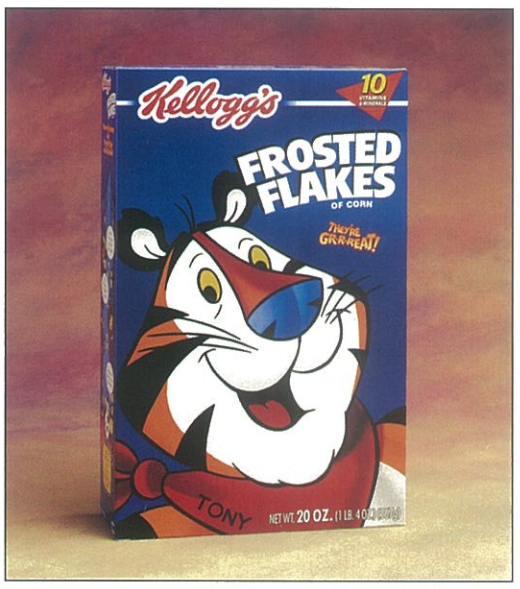
HISTORY

Kellogg Company's worldwide leadership of its industry stems from the invention of flaked cereal—by accident—at the Battle Creek Sanitarium. The "San" was an internationally famous Seventh Day Adventist hospital and health spa. Its elite patients were offered a regimen of exercise and fresh air, plus a strict diet that prohibited caffeine, alcohol, tobacco, and meat.

Sanitarium Superintendent Dr. John Harvey Kellogg and Will Keith (W.K.) Kellogg, his younger brother and business manager, experimented to find good-tasting substitutes for the hard and tasteless bread on the San's menu. Wheat was cooked, forced through granola rollers, then rolled into long sheets of dough. One day, after cooking the wheat, the two men were called away. Although the wheat was rather stale when they returned, the brothers decided to see what would happen when the tempered grain was forced through the rollers.

Instead of the usual long sheets of dough, each wheat berry was flattened into a small, thin flake. When baked, the flakes tasted crisp and light. The San's patients loved the new food.

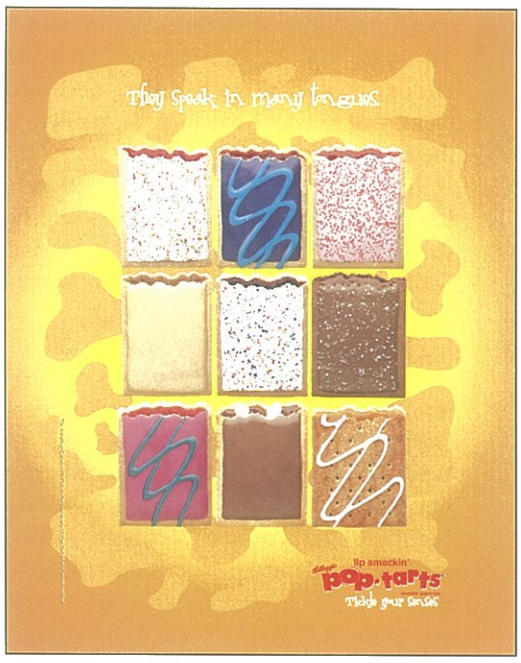
Seeing the commercial opportunity of ready-to-eat cereal, W.K. Kellogg left the San in 1906 and formed the Battle Creek Toasted Corn Flake Company, later renamed Kellogg Company.



Mr. Kellogg boldly advertised his new product. He spent much of his working capital to buy a full-page ad in the July 1906 issue of *The Ladies Home Journal.* The results astonished him. Sales burgeoned from 33 cases to 2,900 cases per day. With more widespread ads and promotions to tell the public about *"The Original and Best" Kellogg's Corn Flakes,* the small company's annual sales surpassed a million cases by 1909.

W. K. Kellogg quickly expanded into international markets. He also expanded his product line, introducing *Bran Flakes* (1923), *All-Bran* (1916), *Rice Krispies* (1928), *Kellogg's Frosted Flakes* (1952), and *Special K* (1955) cereals. *Pop-Tarts* toaster pastries, launched in 1964, became an American institution of its own and, not surprisingly, the company's top-selling convenience food.

Kellogg Company also led the way in communicating good health. In the 1930s, Kellogg Company became the first company to print nutrition messages and recipes on cereal package side and back panels.

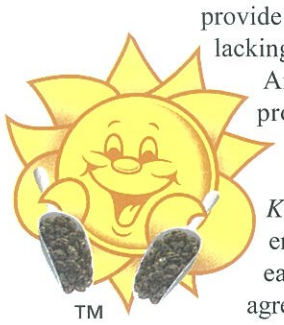


In the second half of the 20th Century, Kellogg Company's commitment to nutrition evolved into active support of scientific studies that have underscored the value of grain-based foods in a healthy diet.

In the 1990s, even as worldwide consumption of cereal continued to increase, Kellogg Company built an increasingly strong convenience foods portfolio that now accounts for 43 percent of the company's global sales, after recently acquiring Keebler Foods.

THE PRODUCT

Kellogg's products are a perfect fit for a healthy lifestyle. Many are low in fat and often help provide the dietary fiber that is lacking in the diets of many Americans. They also provide nutrition, great taste and convenience. The appeal of *Kellogg's* products also encourages consumers to eat what nutritionists agree is the most important meal of the day—breakfast. Research shows that people who eat breakfast tend to have less anxiety and improved memory. Children who go to school without breakfast have more trouble concentrating and their schoolwork can suffer as a result. Regular breakfast eaters have better diets and generally enjoy better overall health than breakfast skippers.



Kellogg's products also have a long-standing reputation for consistently delivering the highest level of quality to consumers around the world.

RECENT DEVELOPMENTS

With its world-class research and development resources at the W.K. Kellogg Institute for Food and Nutrition Research, Kellogg Company continues to be a global leader in food innovation. Just a sampling of Kellogg Company's innovation since 1990 includes:

- *Kellogg's Rice Krispies Treats squares,* a family of wholesome snack bars delivering the great home-made taste of a favorite *Kellogg's* recipe.
- Award-winning *Kellogg's Raisin Bran Crunch* cereal, a 1999 launch which has gained more than a 1 share of the U.S. market.
- *Kellogg's Pop-Tarts Pastry Swirls,* a great-tasting, great-selling extension of the company's powerful Pop-Tarts family.
- Kellogg has also developed a high-potential natural and frozen foods division that includes the acquisitions of Worthington Foods Inc. in 1999 and Kashi Co. in 2000.
- Acquistion of Keebler Foods Company, March 2001.

PROMOTION

W. K. Kellogg was a master of creative advertising and promotion.

In the company's early years, "Give the Grocer a Wink" won shoppers free samples of *Kellogg's Toasted Corn Flakes*. The Funny Jungleland Moving Pictures book in 1910 became the first of thousands of premiums offered to consumers who bought *Kellogg's* cereal. From the world's largest electric sign at Times Square in New York City to small grocery store windows, the Kellogg name, written in W. K. Kellogg's distinctive script— Kellogg's —reminded the public that "None Genuine Without This Signature."

Kellogg Company's marketing leadership continued through the decades as consumers sent their box tops to Battle Creek for Kellogg premiums, and as Kellogg became a leader in creative radio and television advertising. Kellogg sponsored early family shows on TV, including "Superman" and "Wild Bill Hickock."

The tradition of marketing leadership continues today as Kellogg has launched the cereal industry's first frequent flyer promotion, with American AAdvantage Miles as well as exciting new promotions based on the popular Pokemon, Disney, and Cartoon Network characters. Kellogg also leverages sponsorships such as NASCAR, the Olympics, Susan G. Komen Breast Cancer Foundation Race for the Cure, to bring value added promotions to its consumers.

BRAND VALUES

Nearly a century after Kellogg Company was founded, Kellogg remains one of the best known and most popular brand names in America and all around the world.

There is tremendous consumer loyalty to *Kellogg's* brands. For example, more than 40 percent of the millions of Americans who eat *Kellogg's Frosted Flakes* have been doing so for more than 20 years, and it remains America's favorite cereal.

Kellogg Company's commitment is to continue to build its brands and to deliver superior value to consumers in the new century.

Consistent with the words of founder W. K. Kellogg, "We are a company of dedicated people making quality products for a healthier world."

For More Information

For more information, visit Kellogg's web site at http://www.kelloggs.com or Keebler's web site at http://www.keebler.com.

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THINGS YOU DIDN'T KNOW ABOUT KELLOGG'S

- *Kellogg's Pop-Tarts* toaster pastries are incredibly popular with American consumers. If all the *Pop-Tarts* produced each year were laid end to end, they would circle the earth more than six times.
- With powerful brands such as *Kellogg's Raisin Bran* and *Kellogg's Raisin Bran Crunch* cereals, Kellogg Company *is the* largest purchaser of raisins in the United States—about 60 million pounds a year.
- *Tony the Tiger* is as well liked by young American children as Mickey Mouse.
- The Kellogg product providing the most dietary fiber is *Kellogg's All-Bran* with Extra Fiber cereal, which provides 13 grams of fiber per serving. This is about half the daily amount of fiber recommended for adults.
- Twenty percent of *Kellogg's Rice Krispies* cereal is used to make marshmallow squares at home