Kellogg Company
One Kellogg Square
Battle Creek, Michigan 49016-3599

Prospectus for the employees of the European Economic Area ("EEA") (direct or indirect) subsidiaries of Kellogg Company in relation to equity incentive plans relating to Kellogg Company shares

Pursuant to Article 23 of the Law of June 16, 2006 on the public offerings of securities and the admission to trading of securities on a regulated market, the Belgian Financial Services and Markets Authority has approved this prospectus on March 22, 2016. This prospectus was established by the issuer and the issuer is responsible for this prospectus. The prospectus has been approved in connection with the operations proposed to the investors. The approval represents neither an assessment of the transaction's opportunity or quality nor the authentication of the financial and accounting information presented or more generally the issuer's position, by the Belgian Financial Services and Markets Authority.

This prospectus will be made available to the respective employees of the (direct or indirect) subsidiaries of Kellogg Company located in the EEA jurisdictions in which offerings under the respective equity incentive plans are considered public offerings. At the time of approval of this prospectus, these jurisdictions are Belgium, Ireland, and the United Kingdom. This prospectus will be made available on the intranet of Kellogg Company and free paper copies will be available to the employees upon request by contacting the Human Resources Departments of their employers. For participants to the Belgian Plan, this prospectus will also be made available on the respective plan website at Computershare, the current stock plan administrator of the Belgian Plan. For participants to the UK Plan and for participants to the Irish Plan, this prospectus will also be made available on the respective plan website at Capita, the current stock plan administrator of both the UK Plan and the Irish Plan.

An investment in the shares as described in this prospectus is subject to risks. An investor faces the risk of losing a part or all of his invested capital. Before participating in the equity incentive plans of Kellogg Company, prospective investors should carefully read the entire prospectus, containing a description of the offer and the risk factors, with special attention to the risk factors (see Part I (Summary), p. 6 to p. 18 and Part II (Risk Factors), p. 19). Their decision should solely be based on the information contained in the prospectus.

Note to the prospectus

This prospectus was established in accordance with the principles laid down in the Belgian Law of June 16, 2006 on the public offerings of securities and the admission to trading of securities on a regulated market, in Directive 2003/71/EC of November 4, 2003, as amended, and in the Commission Regulation 809/2004 of April 29, 2004, as amended.

This prospectus contains, among other things, a summary conveying the essential characteristics of, and risks associated with, the issuer and the offered securities. More detailed information concerning the issuer and the securities to be offered is reflected in the exhibits attached to this prospectus. The documents referred to in the relevant chapters are attached as annexes to this prospectus.

Company responsible for the prospectus

The responsibility for this prospectus is assumed by Kellogg Company, a company incorporated and existing under the laws of the State of Delaware, U.S.A., with its principal executive offices at One Kellogg Square, Battle Creek, Michigan 49016-3599, U.S.A., represented by its Board of Directors. Kellogg Company ensures, having taken all reasonable care, that the information contained in this prospectus is, to the best of its knowledge, in accordance with the facts and that the prospectus does not contain omissions likely to affect the import of this prospectus.

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I. Summary

Summaries are made up of disclosure requirements known as "Elements." These Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable."

SECTION A — INTRODUCTION AND WARNINGS		
A.1	**Warning to the reader**	This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Union or States party to the European Economic Area Agreement, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have presented the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.

SECTION B — ISSUER		
B.1	**Legal and commercial name of the issuer**	Kellogg Company (the "Company" or "Kellogg") or, as the case may be, one of its subsidiaries.
B.2	**Domicile and legal form of Kellogg, the legislation under which the issuer operates and its country of incorporation**	Kellogg Company is a corporation incorporated under the laws of the State of Delaware, U.S.A., with its principle executive offices at One Kellogg Square, Battle Creek, Michigan 49016-3599, United States of America.
B.3	**Description of the nature of Kellogg's current operations and its principal activities**	
Kellogg is the world's leading producer of cereal, second largest producer of cookies and crackers, and a leading producer of savory snacks and frozen foods. Additional product offerings include toaster pastries, cereal bars, fruit-flavored snacks and veggie foods. Kellogg products are manufactured and marketed globally.		
B.4a	**Recent trends**	During 2013 Kellogg announced Project K, a four-year efficiency and effectiveness program. The program is expected to generate a significant amount of savings, once all phases are approved and implemented, that will be invested in key strategic areas of focus for the business. Kellogg expects that this investment will drive future growth in revenues, gross margin, operating profit, and cash flow.
B.5	**Organizational structure**	Kellogg is the parent company of the Kellogg group. Kellogg holds, directly or indirectly, the capital and voting rights of each of its subsidiaries.
B.6	**Interests in Kellogg's capital**	Not applicable. Pursuant to its Q&A, ESMA considers that Item 18 of Annex I of the Commission Regulation 809/2004 of April 29, 2004 (the "Prospectus Regulation") is generally not pertinent for offers of shares to employees and can thus be omitted from the prospectus in accordance with Article 23.4 of the Prospectus Regulation.
B.7	**Financial information concerning Kellogg for the fiscal years ended January 2, 2016, January 3, 2015 and December 28, 2013**	

Kellogg Company and Subsidiaries

Selected Financial Data

(millions, except per share data and number of employees)		2015		2014		2013
Operating trends						
Net sales (a)	**$**	**13,525**	$	14,580	$	14,792
Gross profit as a % of net sales (a)		**34.6%**		34.7%		41.3%
Depreciation		**526**		494		523
Amortization		**8**		9		9
Advertising expense (b)		**898**		1,094		1,131
Research and development expense		**193**		199		199
Operating profit (a)		**1,091**		1,024		2,837
Operating profit as a % of net sales (a)		**8.1%**		7.0%		19.2%
Interest expense		**227**		209		235
Net income attributable to Kellogg Company (a)		**614**		632		1,807
Average shares outstanding:						
Basic		**354**		358		363
Diluted		**356**		360		365
Per share amounts:						
Basic		**1.74**		1.76		4.98
Diluted (a)		**1.72**		1.75		4.94
Cash flow trends						
Net cash provided by operating activities	**$**	**1,691**	$	1,793	$	1,807
Capital expenditures		**553**		582		637
Net cash provided by operating activities reduced by capital expenditures (c)		**1,138**		1,211		1,170
Net cash used in investing activities		**(1,127)**		(573)		(641)
Net cash provided by (used in) financing activities		**(706)**		(1,063)		(1,141)
Interest coverage ratio (d)		**6.8**		**7.3**		**14.3**
Capital structure trends						
Total assets	**$**	**15,265**	$	15,153	$	15,474
Property, net		**3,621**		3,769		3,856
Short-term debt and current maturities of long-term debt		**2,470**		1,435		1,028

Long-term debt	**5,289**	5,935	6,330
Total Kellogg Company equity	**2,128**	2,789	3,545
Share price trends			
Stock price range	**$61-74**	$57-69	$55-68
Cash dividends per common share	**1.98**	1.90	1.80
Number of employees	**33,577**	29,818	30,277

(a) Non-GAAP currency-neutral comparable definitions of these metrics are reconciled to the directly comparable measure in accordance with U.S. GAAP within the Management's Discussion and Analysis of the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2016 (Exhibit IV). The Company believes the use of such non-GAAP measures provides increased transparency and assists in understanding the Company's underlying operating performance.

(b) Advertising and consumer promotions are included in total brand-building, a measure that the Company uses to determine the level of investment it makes to support the Company's brands. Advertising has declined in 2015 as a result of foreign currency translation as well as the implementation of efficiency and effectiveness programs including a shift in investments to non-advertising consumer promotion programs. Total brand-building investment has declined in 2015 approximately 50 basis points as a percentage of net sales. The Company's brand building is down including shifts of investment into other areas such as food, the evolving shift in media investment from TV to digital, and efficiency and effectiveness benefits. The Company's zero-based budgeting initiative may identify additional efficiency and effectiveness opportunities in brand building as it proceeds through 2016. The Company may choose to reinvest these savings back into brand building or other areas such as food reformulation or capacity to drive revenue growth. The Company remains committed to invest in its brands at an industry-leading level to maintain the strength of its many recognizable brands in the marketplace.

(c) The Company uses this non-GAAP financial measure, which is reconciled above, to focus management and investors on the amount of cash available for debt repayment, dividend distribution, acquisition opportunities, and share repurchase.

(d) Interest coverage ratio is calculated based on net income attributable to the Company before interest expense, income taxes, depreciation and amortization, divided by interest expense.

B.8	**Pro forma financial information**	Not applicable. There are no significant gross changes as defined in Item 20.2 of Annex I of the Prospectus Regulation.
B.9	**Profit forecast**	Not applicable. This prospectus does not contain any profit forecast.
B.10	**Qualifications in the audit report on the historical financial information**	Not applicable. There are no qualifications in the auditors' report.
B.11	**Working capital statement**	Not applicable. Kellogg's working capital is sufficient for its present requirements.

SECTION C — SECURITIES		
C.1	**Type and class of the securities being offered, including the security identification code**	The shares of Kellogg having a par value of US$ 0.25 per share (the "Shares") offered pursuant to this prospectus can be either authorized but unissued Shares or treasury Shares, and are or will be, after their issuance, listed on the New York Stock Exchange (the "NYSE"). The ticker symbol for the Shares is "K". The ISIN Code of the Company's Shares is US4878361082.
C.2	**Currency of the securities issue**	The United States Dollar is the currency of the securities issue.
C.3	**Number of shares issued**	As of January 29, 2016, 350,257,015 Shares were issued and outstanding.
C.4	**Rights attached to the securities**	Once the Shares acquired under the offer are issued, an employee participating in the offer will have the rights of a normal shareholder, including dividend and voting rights.
C.5	**Transferability restrictions**	The Shares in this offering may be subject to certain transferability restrictions as set out in Element E.3 below.
C.6	**Admission to trading on a regulated market**	As noted in Element C.1 above, the Shares are listed on the NYSE.
C.7	**Dividend policy**	Kellogg paid quarterly dividends to shareholders totalling US$1.98 per share in 2015, US$1.90 per Share in 2014 and US$1.80 per Share in 2013. Total cash paid for dividends increased by 3.0% in 2015 and 4.0% in 2014. In February 2016, the board of directors declared a dividend of $.50 per Share, payable on March 15, 2016 to shareholders of record at the close of business on March 1, 2016.

SECTION D — RISKS		
D.1	**Key risks related to the Company or its industry**	The risks related to the Company's business can be summarized as follows: • The Company may not realize the benefits that it expects from its global four-year efficiency and effectiveness program (Project K); • The Company may not realize the benefits it expects from the adoption of zero-based budgeting; • The Company's results may be materially and adversely

		impacted as a result of increases in the price of raw materials, including agricultural commodities, fuel and labor; • A shortage in the labor pool, failure to successfully negotiate collectively bargained agreements, or other general inflationary pressures or changes in applicable laws and regulations could increase labor cost, which could have a material adverse effect on the Company's consolidated operating results or financial condition; • Multiemployer Pension Plans could adversely affect the Company's business; • The Company operates in the highly competitive food industry; • The Company may be unable to maintain its profit margins in the face of a consolidating retail environment. In addition, the loss of one of its largest customers could negatively impact its sales and profits; • The Company's results may be negatively impacted if consumers do not maintain their favorable perception of its brands; • Tax matters, including changes in tax rates, disagreements with taxing authorities and imposition of new taxes could impact the Company's results of operations and financial condition; • If the Company's food products become adulterated, misbranded or mislabeled, it might need to recall those items and may experience product liability if consumers are injured as a result; • Unanticipated business disruptions could have an adverse effect on the Company's business, financial condition and results of operations; • Evolving tax, environmental, food quality and safety or other regulations or failure to comply with existing licensing, labeling, trade, food quality and safety and other regulations and laws could have a material adverse effect on the Company's consolidated financial condition; • The Company's operations face significant foreign currency exchange rate exposure and currency restrictions which could negatively impact its operating results; • If the Company pursues strategic acquisitions, alliances, divestitures or joint ventures, it may not be able to successfully consummate favorable transactions or successfully integrate

		acquired businesses; • Potential liabilities and costs from litigation could adversely affect the Company's business; • The Company's consolidated financial results and demand for its products are dependent on the successful development of new products and processes; • The Company's postretirement benefit-related costs and funding requirements could increase as a result of volatility in the financial markets, changes in interest rates and actuarial assumptions; • The Company has a substantial amount of indebtedness; • The Company's performance is affected by general economic and political conditions and taxation policies; • An impairment of the carrying value of goodwill or other acquired intangibles could negatively affect the Company's consolidated operating results and net worth; • The Company must leverage its brand value to compete against retailer brands; • The Company may not achieve its targeted cost savings and efficiencies from cost reduction initiatives; • Technology failures could disrupt the Company's operations and negatively impact its business; • The Company's intellectual property rights are valuable, and any inability to protect them could reduce the value of its products and brands; • The Company is subject to risks generally associated with companies that operate globally; • The Company's operations in certain emerging markets expose it to political, economic and regulatory risks; • Adverse changes in the global climate or extreme weather conditions could adversely affect the Company's business or operations.
D.3	**Key risks related to**	The risks related to the participation itself in The Kellogg Company Sub-Plan to the 2013 Long-Term Incentive Plan for Participants in Belgium

	the Shares	(the “Belgian Plan”), The Kellogg UK Share Incentive Plan (the “UK Plan”), and The Kellogg (Ireland) Employee Share Ownership Plan (the “Irish Plan”), together referred to as the "Plans", can be summarized as follows: • Participation in the Plans is subject to the same risks as inherent to any investment in shares (such as a change of the stock exchange price of the shares) and a participant in the Plans therefore potentially faces the risk of losing a part or all of his invested capital. • Participation in the Plans is subject to a currency risk (e.g., US$/EUR or US$/Sterling pound) that could adversely affect the value derived from the participation in the Plans. • The possible tax and/or social security consequences of the participation in the Plans could adversely affect the value derived from the participation in the Plans. • Under the Plans, there may be certain restrictions with respect to the withdrawal of shares, which may lead to a certain restriction on the liquidity thereof.

SECTION E — OFFER

E.1	**Net proceeds and expenses**	Taking into account the total eligible compensation of the eligible employees under the Plans and the features of the Plans, the maximum total annual amount of proceeds would be approximately EUR 5.9 million (US$ 6.5 million). The Company has incurred legal costs of approximately US$ 35,000 to implement this prospectus in order to offer securities under the Plans to eligible employees of its subsidiaries in the European Economic Area.
E.2a	**Reasons for the offer**	The purpose of the Belgian Plan is to provide an opportunity for the eligible employees of certain of the Company’s Belgian subsidiaries and affiliates to purchase Shares through payroll deductions and thereby have an additional incentive to contribute to the Company’s success. The purpose of the UK Plan is to provide an opportunity for the eligible employees of certain of the Company’s UK subsidiaries to acquire Shares. UK Plan Participants thereby have an additional incentive to contribute to the Company’s success. The purpose of the Irish Plan is to provide an opportunity for the eligible employees of certain of the Company’s Irish subsidiaries and affiliates to purchase Shares at market value via payroll deductions

		from after-tax earnings in order to receive a matching number of "free" Shares that are exempt from income tax, subject to certain conditions. Participants thereby have an additional incentive to contribute to the Company's success.
E.3	**Description of the terms and conditions of the offer**	**The below description of the terms and conditions of the offer is only intended to be a very high level summary of those terms and conditions. The reader is strongly encouraged to read the Belgian Plan, UK Plan and Irish Plan as attached under Exhibits I, II and III to this prospectus.** Belgian Plan The Belgian Plan was authorized by the Compensation Committee of Kellogg, and is a sub-plan of the 2013 Long Term Incentive Plan (the "LTIP"). The LTIP and the Belgian Plan is administered by the Company's Compensation Committee (the "Committee"). Any individual who is an active permanent employee of Wimble Manufacturing Belgium BVBA, and any other (direct or indirect) subsidiary of the Company in Belgium that may be designated by the Committee as participating in the Belgian Plan (each a "Participating Company"), and who has been employed by a Participating Company for a period of at least six months, on or after April 1, 2013 (an "Eligible Employee") is eligible to participate in the Belgian Plan. There will be monthly "Offering Periods" for the purchase of Shares under the Belgian Plan. The first business day of each Offering Period is an "Offering Date" and the last day of an Offering Period, or if this is not a business day, the first following business day, is an "Acquisition Date". An Eligible Employee may become a participant in the Belgian Plan ("Belgian Plan Participant") as of an Offering Date by accepting the terms of an enrollment agreement on the form provided by the Company (which may be in written or electronic form, as prescribed by the Company). The enrollment agreement shall set forth the percentage of the Belgian Plan Participant's "Base Pay" (i.e. the Eligible Employee's actual annual gross pay (including thirteenth month and holiday pay, but excluding other forms of remuneration and benefits (such as severance benefits, redundancy pay, termination indemnities and other post-employment benefits, as well as shift differentials, overtime, bonuses and income from other equity awards)), divided by 12) to be paid as contributions pursuant to the Belgian Plan (or shall otherwise provide for the Belgian

		Plan Participant to elect such percentage). The Belgian Plan Participant shall elect to have payroll deductions made on each payday during the Offering Period in an amount not less than one percent (1%) and not more than five percent (5%) of such Belgian Plan Participant's Base Pay on each monthly payday (determined by the Participating Company), or such other maximum percentage as the Committee may establish from time to time before an Offering Date. On each Acquisition Date, each Belgian Plan Participant shall be granted Shares subject to a restriction period as described hereunder ("Restricted Shares") under the Plan in consideration of paying the contributions to the Company. The number of Restricted Shares granted on each Acquisition Date shall be determined by dividing such Belgian Plan Participant's contributions accumulated during the Offering Period by the fair market value of a Share on the Acquisition Date (the "Base Number") and multiplying the Base Number by 1.5. For purposes of the Belgian plan, the term "fair market value" on any date generally means the officially quoted closing price in the primary trading session for a share of the Company's common stock on the NYSE-Composite Transactions Tape or on any other stock exchange, if any, on which such common stock is primarily traded. The Restricted Shares shall be subject to a restriction period of two years from the Acquisition Date, or such other period of time as determined by the Committee (the "Belgian Plan Restriction Period"). During the Belgian Plan Restriction Period, the Belgian Plan Participant has all of the legal rights of a shareholder of the Company, but may not sell, transfer or otherwise dispose of the Restricted Shares. <u>UK Plan</u> The UK Plan is an all-employee share plan that provides employees (if participating in the UK Plan, a "UK Plan Participant") of participating companies with the opportunity to acquire Shares. The UK Plan has been formally approved by HM Revenue & Customs under Part 10 of Schedule 2 of the Income Tax (Earnings and Pensions) Act 2003. The trustee and administrator of the UK Plan is a professional trust and administration provider, Capita IRG Trustees Limited. Under the UK Plan there are potentially four types of share awards, although in each instance the shares in question are Shares: • Free Shares.

		• Purchased Shares. • Matching Shares. • Dividend Shares. These Shares are acquired outright but are held on the UK Plan Participant's behalf in a trust (the "UK Plan Trust"). The UK Plan can make an award of currently up to £3,000 worth of Shares ("Free Shares") to each UK Plan Participant in a tax year. This allocation may be subject to performance targets. UK Plan Participants are required to hold the Free Shares in the UK Plan Trust for a holding period specified by the Company at the time of acquisition. This holding period will be between three and five years. Under the UK Plan, UK Plan Participants may be invited to buy Shares out of their pre-tax income (by deduction from salary via the payroll system) up to a specified limit of currently £1,500 per year or 10% of salary, if lower ("Purchased Shares"). The Shares are acquired at their market value. For purposes of the UK plan, the term "market value" on any date generally means (a) if the trustees acquire all of the Shares from a purchase made on the NYSE and appropriate all of the Shares to the UK Plan Participants on the date on which they were purchased, the average of the prices at which the trustees acquire the Shares on that purchase date; or (b) if the trustees acquire the Shares from a purchase made on the NYSE and appropriate the Shares to the UK Plan Participants on a date other than the date on which the Shares were purchased, the closing price of a Share for the dealing day immediately preceding the appropriation date in question. Shares can be purchased either shortly after a salary deduction, or deductions can be accumulated by the UK Plan Trust for a period (of up to 12 months) with the Shares being bought shortly after the end of this accumulation period. A UK Plan Participant may withdraw their Purchased Shares from the UK Plan Trust at any time (though this may have adverse tax consequences). "Matching Shares" are additional Shares that the company may choose to award to UK Plan Participants who acquire Purchased Shares. The maximum matching ratio which can be awarded under the UK Plan is two Matching Shares for every one Purchased Share bought but it can be less.

		Matching Shares have a holding period of three to five years (this period is specified at the date of acquisition). Dividends paid on an employee's UK Plan Shares may either be passed straight on to the employee or reinvested in the UK Plan. UK Plan Participants may choose whether or not they wish to reinvest the dividends. If dividends are reinvested, Shares are bought with the dividend payment ("Dividend Shares") and these are subject to a holding period within the UK Plan Trust of three years. Any individual who is an employee of a participating company on the relevant qualifying date (this depends on the type of share award, but broadly means at the date of acquisition of the Shares in question, or through-out the Accumulation Period, if there is one, with regards the Purchased or Matching Shares) and is subject to UK income tax on his/her employment is eligible to participate in the UK Plan. Irish Plan The trustee and administrator of the Irish Plan is a professional trust and administration provider, Capita Corporate Trustees Limited. Any individual who is an employee of a participating company (being one of the Irish subsidiaries of Kellogg that has been nominated as such by Kellogg Lux 1 S.a.r.l.) on the relevant qualifying date (being not more than 3 months before the beginning of a plan period) and is subject to Irish income tax on his/her employment is eligible to participate in the Irish Plan. In respect of each plan period (being a calendar month) for which the Irish Plan is operated, the board of Kellogg Lux 1 S.a.r.l. invites eligible employees to elect to make contributions via payroll to enable the trustee to acquire Shares. Kellogg Lux 1 S.a.r.l. has determined that under the Irish Plan, the maximum value of such contributions is 3.5% of the employee's gross eligible earnings net of tax (subject to an over-riding maximum contribution of EUR 529.16 per month) and the minimum contribution per plan period is EUR 10. The relevant participating company, being the employer of such eligible employee, provides such sum to the trustee to enable the trustee to purchase the same amount of Shares as the employee contribution will purchase for that plan period. The Shares are acquired at their fair market value. For purposes of the Irish plan, the term "fair market value" on any date generally means the middle market quotation on the dealing day immediately preceding such date of a Share on the NYSE converted into Euro at the exchange

<table>
<tr><td></td><td></td><td colspan="3">rate prevailing on such date.

The Shares purchased with employee contributions must be held in trust for a minimum period of two years. The matching Shares must also be held in trust for at least two years from the date of appropriation, but must be left in trust for a total of three years in order to qualify for the maximum income tax relief.</td></tr>
<tr><td>E.4</td><td>Description of material interest to the offer including conflict of interests</td><td colspan="3">Not applicable. There are no such interests.</td></tr>
<tr><td>E.5</td><td>Name of the entity offering to sell the security</td><td colspan="3">Kellogg Company.</td></tr>
<tr><td rowspan="4">E.6</td><td rowspan="4">Maximum dilution</td><td colspan="3">Assuming that the Shares offered would all be newly issued to the extent the Plans allow for the issuance of new Shares, the holdings of a shareholder of Kellogg currently holding 1% of the total outstanding share capital of Kellogg as of January 29, 2016, i.e., 3,502,570 Shares, and who is not an eligible employee participating in the offer, would be diluted as indicated in the following table:</td></tr>
<tr><td></td><td>Percentage of the total outstanding Shares</td><td>Total number of outstanding Shares</td></tr>
<tr><td>Before the issuance of Shares under the Plans (as of January 29, 2016)</td><td>1.000%</td><td>350,257,015</td></tr>
<tr><td>After issuance of 43,175 Shares under the Plans</td><td>0.99988%</td><td>350,300,190</td></tr>
<tr><td>E.7</td><td>Estimated expenses charged to the investor by the issuer or offeror</td><td colspan="3">Not applicable. There are no such expenses.</td></tr>
</table>

II. Risk factors

(a) The risk factors to be taken into consideration when participating in the Plans consist, on the one hand, of risks related to the participation of the Plans itself, and, on the other hand, risks related to the Company's business.

The risks related to the participation itself in the Company's Plans can be summarized as follows:

- Participation in the Plans is subject to the same risks as inherent to any investment in shares (such as a change of the stock exchange price of the shares) and a participant in the Plans therefore potentially faces the risk of losing a part or all of his invested capital.

- Participation in the Plans is subject to a currency risk (e.g., US$/EUR or US$/Sterling pound) that could adversely affect the value derived from the participation in the Plans.

- The possible tax and /or social security consequences of the participation in the Plans could adversely affect the value derived from the participation in the Plans.

- Under the Plans, there may be certain restrictions with respect to the withdrawal of shares which may lead to a certain restriction on the liquidity thereof.

(b) Information concerning the risk factors related to the Company's business, that may affect future business or results of the Company, is reported on page 6-15 of the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2016 (Exhibit IV).

III. Information on the offer and dilution resulting therefrom

A. Information concerning the offer

A.1. Description of the offer

General information

Kellogg Company (the "Company" or "Kellogg"), a Delaware corporation, with its principle executive offices at One Kellogg Square, Battle Creek, Michigan 49016-3599, United States of America (or, as the case may be, one of its subsidiaries), is providing eligible employees of certain of its (direct or indirect) subsidiaries in Europe the opportunity to acquire shares of the Company's common stock having a par value of US$0.25 per share ("Shares") under the following equity incentive plans:

- the Belgian Plan;
- the UK Plan; and
- the Irish Plan.

The Company's Shares are listed on the NYSE under the ticker symbol "K".

The main features of the Plans are described hereafter. The following description is only a summary. The awards are consequently subject to the actual terms and conditions of the Belgian Plan, the UK Plan, and the Irish Plan, the full text of which is enclosed in Exhibits I, II, and III respectively.

Belgian Plan

Background and Purpose

The Belgian Plan was authorized by the Compensation Committee of Kellogg, and is a sub-plan of the LTIP, which was adopted by the Company's Board of Directors on February 22, 2013 and was approved by the Company's shareholders on April 26, 2013. The purpose of the Belgian Plan is to provide an opportunity for the eligible employees of certain of the Company's Belgian subsidiaries and affiliates to purchase Shares through payroll deductions and thereby have an additional incentive to contribute to the Company's success. The aggregate number of Shares that may be issued and sold under the LTIP is 22,000,000, subject to proportionate adjustment in the event of stock splits and similar events.

Administration

The LTIP and the Belgian Plan are administered by the Committee. The Committee is authorized to construe and interpret the Belgian Plan and to promulgate, amend and rescind rules and regulations relating to the implementation, administration and maintenance of the Belgian Plan. Subject to the terms and conditions of the Belgian Plan, the Committee shall make all determinations necessary or advisable for the implementation, administration and maintenance of the Belgian Plan including, without limitation, (a) selecting the Belgian Plan's Participants, (b) making Awards in such amounts and form as the Committee shall determine, (c) imposing such restrictions, terms and conditions upon such Awards as the Committee shall deem appropriate, and (d) correcting any technical defect(s) or technical omission(s), or reconciling any technical inconsistency(ies), in the Belgian Plan and/or any Award Agreement. Computershare Shareowner Services ("Computershare") is currently the stock plan administrator for the Belgian Plan.

Eligibility of Employees

Any individual who is an Eligible Employee is eligible to participate in the Belgian Plan.

Offering Periods and Payroll Deductions

There will be monthly Offering Periods for the purchase of Shares under the Belgian Plan. The first business day of each Offering Period is an Offering Date and the last day of an Offering Period, or if this is not a business day, the first following business day, is an Acquisition Date. The first Offering Period for the Eligible Employees in Belgium began on April 19, 2013 and ended on May 18, 2013. Subsequent Offering Periods run consecutively following the expiration of the preceding Offering Period.

An Eligible Employee may become a Belgian Plan Participant as of an Offering Date by accepting the terms of an enrollment agreement on the form provided by the Company (which may be in written or electronic form, as prescribed by the Company) at such times and in accordance with such procedures as may be established by the Committee for the Offering Period commencing with that Offering Date. The enrollment agreement shall set forth the percentage of the Belgian Plan

Participant's "Base Pay" (i.e. the Eligible Employee's actual annual gross pay (including thirteenth month and holiday pay, but excluding other forms of remuneration and benefits (such as severance benefits, redundancy pay, termination indemnities and other post-employment benefits, as well as shift differentials, overtime, bonuses and income from other equity awards)), divided by 12) to be paid as contributions pursuant to the Belgian Plan (or shall otherwise provide for the Belgian Plan Participant to elect such percentage).

The Belgian Plan Participant shall elect to have payroll deductions made on each payday during the Offering Period in an amount not less than one percent (1%) and not more than five percent (5%) of such Belgian Plan Participant's Base Pay on each monthly payday (determined by the Participating Company), or such other maximum percentage as the Committee may establish from time to time before an Offering Date.

All payroll deductions or other payments made by the Belgian Plan Participant shall be credited to his or her "Cash Account" (i.e. an account established and maintained by the Company or a brokerage or other financial services firm designated by the Company for each Belgian Plan Participant for the purpose of holding contributions made during an Offering Period until the Acquisition Date) under the Belgian Plan. The Belgian Plan Participant may not make any additional payments into such Cash Account.

A Belgian Plan Participant may withdraw all but not less than all the contributions credited to his or her Cash Account, by giving notice of withdrawal from the Belgian Plan in accordance with the withdrawal procedures established by the Committee. All of the Belgian Plan Participant's contributions credited to his or her Cash Account will be paid to him or her promptly after receipt of his or her notice of withdrawal and his or her participation in the Belgian Plan will be automatically terminated, and no further contributions may be made by the Belgian Plan Participant with respect to that Offering Period. If the Belgian Plan Participant wishes to participate in a succeeding Offering Period, he or she will need to re-enroll in the Belgian Plan

Grant of Restricted Shares

On each Acquisition Date, each Belgian Plan Participant shall be granted Restricted Shares under the Plan in consideration of paying the contributions to the Company. The number of Restricted Shares granted on each Acquisition Date shall be determined by dividing such Belgian Plan Participant's contributions accumulated during the Offering Period and retained in the Cash Account as of the Acquisition Date by the fair market value of a Share on the Acquisition Date (i.e. the Base Number) and multiplying the Base Number by 1.5. If the result is not a whole number, fractional Restricted Shares will be allocated. For purposes of the Belgian plan, the term "fair market value" on any date generally means the officially quoted closing price in the primary trading session for a share of the Company's common stock on the NYSE-Composite Transactions Tape or on any other stock exchange, if any, on which such common stock is primarily traded.

The Restricted Shares shall be subject to the Belgian Plan Restriction Period. During the Belgian Plan Restriction Period, the Belgian Plan Participant has all of the legal rights of a shareholder of the Company, but may not sell, transfer or otherwise dispose of the Restricted Shares. The Company may require that Restricted Shares acquired under the Belgian Plan be held in a stock account established in the name of the Belgian Plan Participant, subject to such rules as determined by the Committee, including designation of a brokerage or other financial services firm to hold such Restricted Shares. After the lapse of the Belgian Plan Restriction Period, the Belgian Plan Participant

may freely sell, transfer or otherwise dispose of the Shares and is no longer required to hold the Shares in the stock account.

Dividends

All dividends paid out to a Belgian Plan Participant on Shares held under the Belgian Plan with Computershare will by default be used to acquire additional Shares. Shares so acquired will not be subject to the Belgian Plan Restriction Period applicable to Restricted Shares.

A Belgian Plan Participant can, however, elect to have the dividends mentioned in the above paragraph paid out in cash, in which case he will receive said dividends by cheque.

Termination of Employment

Upon Termination of Service (i.e. the first date a Belgian Plan Participant no longer actively performs active employment with a Participating Company) prior to the Acquisition Date for any reason, including retirement, disability or death, the contributions credited to a Sub-Plan Participant's Cash Account will be promptly returned to him or her or his or her legal representatives or heirs, his or her participation will be automatically terminated, and no further contributions may be made by the Belgian Plan Participant with respect to that Offering Period. If a Participating Company ceases to be a Participating Company, each person employed by that Participating Company will be deemed to have a Termination of Service for purposes of the Belgian Plan.

Corporate Transactions

In the event of the proposed dissolution or liquidation of the Company, any Offering Period then in progress will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Committee. If a Belgian Plan Participant's participation in the Belgian Plan is terminated pursuant to the preceding sentence, the contributions then credited to such Belgian Plan Participant's Cash Account will be paid to him or her in cash without interest. In the event of a change in control as defined in Section 14 of the LTIP, unless otherwise determined by the Committee, the Belgian Plan shall be assumed or substituted by the successor corporation or a parent or subsidiary of such successor corporation, or, if not so assumed or substituted, the Offering Period then in progress shall be shortened and the Board shall set a new Acquisition Date (the "New Acquisition Date"). The New Acquisition Date shall be on or before the date of consummation of the transaction and the Committee shall notify each Belgian Plan Participant in writing, at least ten (10) days prior to the New Acquisition Date, that the Acquisition Date has been changed to the New Acquisition Date, unless prior to such date he or she has withdrawn from the Offering Period.

The treatment of Restricted Shares in the event of a change in control as defined in Section 14 of the LTIP shall be as set forth in the LTIP, except that contrary to Section 14.1.2. of the LTIP, the restrictions applicable to Restricted Shares granted under the Belgian Plan shall not lapse in the event of a change in control as defined in Section 14 of the LTIP (unless the Committee (or its delegate) decides otherwise).

Amendment or Termination

The Committee may at any time and for any reason terminate or amend the Belgian Plan.

Without regard to whether any Belgian Plan Participant's rights may be considered to have been adversely affected, the Committee shall be entitled to change the Offering Periods, establish the exchange ratio applicable to contributions made in a currency other than U.S. dollars, permit payroll deductions in excess of the rate designated by a Belgian Plan Participant in order to adjust for delays or mistakes in the Company's processing of properly completed contribution elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that contributions made under the Belgian Plan properly correspond with deductions made from the Belgian Plan Participant's Base Pay, and establish such other limitations or procedures as the Committee determines in its sole discretion advisable which are consistent with the Belgian Plan.

Transferability

Neither the contributions credited to a Belgian Plan Participant's Cash Account nor any rights with regard to the Restricted Shares that may be granted under the Belgian Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution) by the Belgian Plan Participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with the rules on withdrawal from the Belgian Plan.

Term of the Belgian Plan

The Belgian Plan shall continue in effect until the earlier of its termination by the Company's Board of Directors or the date on which all of the Shares available for issuance under the LTIP have been issued.

UK Plan

Background and Purpose

The UK Plan is an all-employee share plan that provides employees (if participating in the UK Plan, a UK Plan Participant) of participating companies with the opportunity to acquire Shares.

The purpose of the UK Plan is to provide an opportunity for the eligible employees of certain of the Company's UK subsidiaries to acquire Shares. UK Plan Participants thereby have an additional incentive to contribute to the Company's success.

The UK Plan has been formally approved by HM Revenue & Customs under Part 10 of Schedule 2 of the Income Tax (Earnings and Pensions) Act 2003.

Any company which is incorporated in the UK and is controlled by the Company may participate in the UK Plan. The following companies currently participate:

Kellogg UK Holding Company Limited (Company Number 3216332)

Kellogg Company of Great Britain Limited (Company Number 199171)

Kellogg Supply Services (Europe) Limited (Company Number 3233413)

Kellogg Marketing and Sales Company (UK) Limited (Company Number 3237431)

Kellogg Management Services (Europe) Limited (Company Number 3233144)

Portable Foods Manufacturing Company Limited (Company Number 3533251)

Administration

In accordance with the relevant UK legislation the UK Plan is constituted under a trust deed executed in England and Wales. The trust document specifies the primary duties of the trustees and the Company, the more detailed operation of the UK Plan is set out in the scheme rules contained in a schedule to this trust deed.

The trustee and administrator of the UK Plan is a professional trust and administration provider, Capita IRG Trustees Limited.

The trustee, and the "UK Plan Manager" (a duly authorised officer or officers of a participating company) are responsible for the operation of the UK Plan. Subject to the provisions of the UK Plan and the provisions set out in the relevant UK tax legislation governing such plans, the trustee and the UK Plan Manager shall make all determinations necessary or advisable for the implementation, administration and maintenance of the UK Plan including, without limitation, (a) determining eligibility for the UK Plan, (b) appropriating Shares to UK Plan Participants and (c) subject to prior approval of HM Revenue & Customs, correcting any technical defect(s) or technical omission(s), or reconciling any technical inconsistency(ies), in the UK Plan and/or any award made thereunder.

Different Types of Share Awards

Under the UK Plan there are potentially four types of share awards, although in each instance the shares in question are Shares:

- Free Shares.
- Purchased Shares.
- Matching Shares.
- Dividend Shares.

These Shares are acquired outright but are held on the UK Plan Participant's behalf in the UK Plan Trust.

The relevant holding periods, and restrictions on transfer applying to the Shares, will depend on the type of share award as set out below.

Free Shares

The UK Plan can make an award of up to £3,000 worth of Free Shares to each UK Plan Participant in a tax year. This allocation may be subject to performance targets.

UK Plan Participants cannot immediately sell their Free Shares.

UK Plan Participants are required to hold the Free Shares in the UK Plan Trust for a holding period specified by the Company at the time of acquisition. This holding period will be between three and five years.

Purchased Shares

Under the UK Plan, UK Plan Participants may be invited to buy Purchased Shares out of their pre-tax income (by deduction from salary via the payroll system) up to a limit of £1,500 per year or 10% of salary, if lower.

The Shares are acquired at their market value. For purposes of the UK plan, the term " market value" on any date generally means (a) if the trustees acquire all of the Shares from a purchase made on the NYSE and appropriate all of the Shares to the UK Plan Participants on the date on which they were purchased, the average of the prices at which the trustees acquire the Shares on that purchase date; or (b) if the trustees acquire the Shares from a purchase made on the NYSE and appropriate the Shares to the UK Plan Participants on a date other than the date on which the Shares were purchased, the closing price of a Share for the dealing day immediately preceding the appropriation date in question.

Shares can be purchased either shortly after a salary deduction, or deductions can be accumulated by the UK Plan Trust for a period (of up to 12 months) with the Shares being bought shortly after the end of this accumulation period.

A UK Plan Participant may withdraw their Purchased Shares from the UK Plan Trust at any time (though this may have adverse tax consequences).

Matching Shares

Matching Shares are additional Shares that the company may choose to award to UK Plan Participants who acquire Purchased Shares. The maximum matching ratio which can be awarded under the UK Plan is two Matching Shares for every one Purchased Share bought but it can be less.

Matching Shares have a holding period of three to five years (this period is specified at the date of acquisition).

Dividend Shares

Dividends paid on an employee's UK Plan Shares may either be passed straight on to the employee or reinvested in the UK Plan. UK Plan Participants may choose whether or not they wish to reinvest the dividends.

If dividends are reinvested, Dividend Shares are bought with the dividend payment and these are subject to a holding period within the UK Plan Trust of three years.

Eligibility of Employees

Any individual who is an employee of a participating company on the relevant qualifying date (this depends on the type of share award, but broadly means at the date of acquisition of the Shares in question, or through-out the Accumulation Period, if there is one, with regards the Purchased or Matching Shares) and is subject to UK income tax on his/her employment is eligible to participate in

the UK Plan.

Dividends

UK Plan Participants have the choice to either receive a cash dividend payment or acquire Dividend Shares. Where a cash dividend is taken it must be paid over to UK Plan Participants as soon as practicable.

Termination of Employment

On cessation of employment the UK Plan Manager has to notify the trustees of the position as soon as reasonably practicable.

The consequences of the termination of employment depend upon the nature of the share award.

Matching Shares will be forfeited if the employee leaves (other than in specified "good leaver"" circumstances) within up to three years of the award being made.

Purchased Shares are not subject to forfeiture in the event that the UK Plan Participant ceases to be employed by the company. Any Purchased Shares that are not forfeited must be withdrawn from the UK Plan Trust.

Any Matching Shares that are not forfeited upon a UK Plan Participant leaving employment must be withdrawn from the UK Plan Trust.

If the UK Plan Participant leaves employment, Dividend Shares must be withdrawn from the UK Plan Trust.

If the UK Plan Participant ceases to be employed (other than in specified circumstances) within a period of up to three years of the date of the award of Free Shares the UK Plan Participants rights to the Free Shares are forfeited. Any Free Shares that are not forfeited must be withdrawn from the UK Plan Trust.

Corporate Transactions

In the event of a corporate transaction affecting the Shares held in trust, UK Plan Participants will generally be treated the same as all shareholders. Depending on the nature of the transaction, there may be UK tax implications for UK Plan Participants.

Amendment or Termination

The Company may at any time and for any reason suspend or terminate the making of offers under the UK Plan.

The Company and the trustee may vary or amend the provisions of the UK Plan at any time provided such variation, amendment or revocation does not disadvantage the rights of UK Plan Participants which have accrued under the UK Plan and no such variation, amendment or revocation is effective until approved by HM Revenue & Customs.

Irish Plan

Background and Purpose

The Irish Plan was adopted by a subsidiary of Kellogg, Kellogg Lux 1 S.a.r.l. (a company registered in Luxembourg whose registered office is at 560A, Rue de Neudorf, L-2220, Luxembourg and registered under number B 103 831) on 12 December 2010. The adoption of the Irish Plan by this entity was to facilitate the consolidation of two equity incentive plans that had previously been approved by the Irish Revenue Commissioners and had operated in Ireland for a number of years for the benefit of employees of various Irish subsidiaries, and such consolidation necessitated the establishment of the Irish Plan by a company that had control over all of the relevant Irish subsidiaries in order to meet the requirements of Irish tax legislation.

The purpose of the Irish Plan is to provide an opportunity for the eligible employees of certain of the Company's Irish subsidiaries and affiliates to purchase Shares at market value via payroll deductions from after-tax earnings in order to receive a matching number of "free" Shares that are exempt from income tax, subject to certain conditions. Participants thereby have an additional incentive to contribute to the Company's success. Both the purchased and free allocations are satisfied by way of market purchases of Shares, on a monthly basis, with the relevant employer companies providing the funds for the matching element.

Administration

The Irish Plan is constituted under an Irish trust deed, as the tax legislation and Irish Revenue practice requires that the purchased and matching Shares are held in an Irish trust for specified minimum periods in order to qualify for favourable tax treatment. The trustee and administrator of the Irish Plan is a professional trust and administration provider, Capita Corporate Trustees Limited. The trustee, with the consent of Kellogg Lux 1 S.a.r.l. and the Irish Revenue Commissioners, is authorized to construe and interpret the Irish Plan, and make amendments from time to time, subject to the provisions therein and the provisions set out in the relevant Irish tax legislation governing such plans. Subject to the terms and conditions of the Irish Plan and applicable Irish tax legislation, the trustee together with Kellogg Lux 1 S.a.r.l. shall make all determinations necessary or advisable for the implementation, administration and maintenance of the Irish Plan including, without limitation, (a) determining eligibility for the Irish Plan, (b) appropriating Shares to Participants and (c) subject to prior approval of Irish Revenue, correcting any technical defect(s) or technical omission(s), or reconciling any technical inconsistency(ies), in the Irish Plan and/or any award made thereunder.

Eligibility of Employees

Any individual who is an employee of a participating company (being one of the Irish subsidiaries of Kellogg that has been nominated as such by Kellogg Lux 1 S.a.r.l.) on the relevant qualifying date (being not more than 3 months before the beginning of a plan period) and is subject to Irish income tax on his/her employment is eligible to participate in the Irish Plan. The participating companies are currently as follows:

- Kellogg Company of Ireland Limited (registered in Ireland under no. 49450)
- Kellogg Europe Trading Limited (registered in Ireland under no. 387390)
- Kellogg Europe Treasury Services Limited (registered in Ireland under no. 435553)

- Kellogg European Logistics Services Company Limited (registered in Ireland under no. 513281).

Offering Periods and Payroll Deductions

In respect of each plan period (being a calendar month) for which the Irish Plan is operated, the board of Kellogg Lux 1 S.a.r.l. invites eligible employees to elect to make contributions via payroll to enable the trustee to acquire Shares. Kellogg Lux 1 S.a.r.l. has determined that under the Irish Plan, the maximum value of such contributions is 3.5% of the employee's gross eligible earnings net of tax (subject to an over-riding maximum contribution of EUR 529.16 per month) and the minimum contribution per plan period is EUR 10 (which are within Irish Revenue guidelines). The relevant participating company, being the employer of such eligible employee, provides such sum to the trustee to enable the trustee to purchase the same amount of Shares as the employee contribution will purchase for that plan period.

The Shares are purchased at their fair market value. For purposes of the Irish plan, the term "fair market value" on any date generally means the middle market quotation on the dealing day immediately preceding such date of a Share on the NYSE converted into Euro at the exchange rate prevailing on such date.

Under Irish tax legislation and Revenue practice, the maximum value of Shares that can be purchased by an employee from his/her own resources in each tax year is 7.5% of gross basic salary, and the maximum value of Shares that can be appropriated free of income tax (i.e. the matching award) to a participant in any tax year is EUR 12,700.

An eligible employee may become a participant in the Irish Plan by completing a contract of participation that will continue to govern his participation on an ongoing basis until such time as the employee ceases to be eligible or withdraws from the Irish Plan. The participant can vary his contribution in subsequent plan periods subject to the limits in the Irish Plan and applicable Irish tax legislation. Such change will only have effect as of the tax year following the year in which such change was notified.

Holding Period and Restrictions on Transfer

The Shares purchased with employee contributions must be held in trust for a minimum period of two years. The matching Shares must also be held in trust for at least two years from the date of appropriation, but must be left in trust for a total of three years in order to qualify for the maximum income tax relief. There are limited exceptions to these holding periods, where employment ceases due to injury, disability, redundancy, retirement or death, or if the participant has reached Irish state pension age (currently 66 years).

During the period the Shares are held in trust the participant has all the beneficial rights attaching to the Shares but the legal ownership is with the trustee. The trustee must deal with the Shares on the terms set out in the trust deed and rules of the Irish Plan. After two years the participant is free to dispose of the Shares but if he/she disposes of any matching award prior to the 3rd anniversary there will generally be a claw back of income tax.

Dividends

All dividends paid out on Shares held in the trust for participants of the Irish Plan are paid out in cash to participants no later than the last day of the tax year in which they are received by the trustee.

Termination of Employment

On cessation of employment any Shares already appropriated to a participant remain the property of such participant. He/she can leave the Shares in trust for the remainder of the holding periods outlined above and continue to avail of the maximum income tax relief. If the participant disposes of matching Shares prior to the third anniversary of the date of appropriation he/she will be subject to a claw back of income tax on 100% of the value of the Shares at the date they were allocated (or if less, the proceeds of the disposal of such Shares). If cessation of employment is due to injury, disability, redundancy or retirement all Shares can be disposed of immediately but there is a claw back of income tax on 50% of the value of the matching award at the date it was received (or if less, the proceeds of the disposal of such Shares). In the event of the death of a participant no income tax claw back applies.

Corporate Transactions

In the event of a corporate transaction affecting the Shares held in trust, participants will generally be treated the same as all shareholders. Depending on the nature of the transaction, there may be Irish tax implications for participants.

Amendment or Termination

The board of Kellogg Lux 1 S.a.r.l. may at any time and for any reason suspend or terminate the making of offers under the Irish Plan. Kellogg Lux 1 S.a.r.l. and the trustee may vary or amend the provisions of the Irish Plan at any time provided such variation, amendment or revocation does not affect the beneficial interest of participants in Shares already appropriated and no such variation, amendment or revocation is effective until approved in writing in advance by the Irish Revenue Commissioners.

Term of the Irish Plan

The Irish Plan shall continue in effect until the date on which the board of Kellogg Lux 1 S.a.r.l. and the trustee may by deed declare to be the termination date, but this may not be earlier than three years from the last preceding appropriation date.

A.2 Use of proceeds

The proceeds, if any, of the offers under the Plans will be used by the Company for general corporate purposes.

A.3 Costs related to the sale of Shares

Belgian Plan

If a participant seeks to sell Shares acquired under the Belgian Plan, he/she will be charged a trading fee of US$ 0.03 per share, with a minimum of US$ 29.95 for transactions ordered through the Computershare website or interactive telephone system, and a minimum of US$ 49.95 for transactions ordered through Computershare representatives, plus a fee payable to the U.S. Securities and Exchange Commission ("SEC") equal to US$ 21.80 per million dollars (as of trade date February 16, 2016, this fee payable to the SEC will amount to US$ 0.0000218 per dollar of gross proceeds, rounded up to the next cent).

If proceeds are transferred to the participant by cheque in US$, no extra fee is charged. A US$ 25.00 fee will be charged if the cheque is delivered in another currency than US$. A US$ 25.00 fee is charged if the cheque needs to be delivered within a day.

If proceeds are transferred to the participant through wire transfer, a US$ 35.00 fee will be charged.

If shares are delivered to the employee, a US$ 50.00 fee will be charged.

Please note that Computershare and the Company reserve the right to change the fees at any time.

More information on real-time trading and limit orders, can be obtained by contacting Computershare at 001 732-645-4171.

UK Plan

If a participant directs the Trustees to sell any of his Purchased and Matching Shares there may be some brokers commission, currently set at 0.35%, and with a minimum of US$ 45, and a Capita administration fee which will be deducted from the sale proceeds. If Shares are sold on a bulk sales day, no brokers commission will be due. If proceeds are transferred to the participant through wire transfer, a £ 16 fee will be charged

Irish Plan

If a participant seeks to sell Shares acquired under the Irish Plan, he/she will be responsible for the costs, such as broker and administration costs, associated with that sale. Actual costs will vary depending on whether the participant takes part in a group sale with other participants, and will also depend on the value of the entire amount of Shares being sold. At the date of this prospectus, costs for an individual sale will be 0.35% of proceeds, subject to a minimum commission of EUR 35, plus a EUR 22.40 administration fee. The Irish broker (Davy stockbrokers) and the administrator of the Irish Plan (Capita) reserve the right to change the fees at any time. If proceeds are transferred to the participant through wire transfer, a EUR 25 fee will be charged

Further information concerning the offer, including offer statistics, the method and expected timetable and admission to trading details, is set forth in the Kellogg Company Sub-Plan to the 2013 Long-Term Incentive Plan for Participants in Belgium (Exhibit I), The Kellogg UK Share Incentive Plan (Exhibit II), The Kellogg (Ireland) Employee Share Ownership Plan (Exhibit III), and in the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2016 (Exhibit IV).

B. Maximum Dilution

As of February 24, 2016, the Shares under the Plans are being offered to approximately 2,550 eligible employees of certain EEA subsidiaries of the Company. Taking into account the total eligible compensation of the eligible employees under the Plans and the features of the Plans, a maximum total annual amount of approximately EUR 5.9 million (US$ 6.5 million) could be contributed in the respective Plans by the respective eligible employees.

The fair market value of a Share on March 4, 2016 was US$ 75.23. Assuming eligible employees would purchase during each offering period one-twelfth of the total number of Shares they were entitled to purchase during a calendar year at the purchase price applicable on March 4, 2016 (i.e., US$ 75.23), the eligible employees would together be entitled, taking the rules of the respective Plans into account, to acquire a maximum of approximately 175,606 Shares under the Plans assuming no other Plan limitations are exceeded.

The UK Plan and the Irish Plan do however not result in a dilution, as the Shares purchased under the UK Plan and the Irish Plan are purchased in the market. The Belgian Plan does however result in a certain dilution.

Taking into account the total eligible compensation of the eligible employees under the Belgian Plan and the features of the Belgian Plan, a maximum total annual amount of approximately EUR 1,968,500 (US$ 2,165,350) could be contributed in the Belgian Plan by the respective eligible employees. Assuming eligible employees under the Belgian Plan would purchase during each offering period one-twelfth of the total number of Shares they were entitled to purchase during a calendar year at the purchase price applicable on March 4, 2016 (i.e., US$ 75.23), the eligible employees under the Belgian Plan would together be entitled, taking the rules of the Belgian Plan into account, to purchase a maximum of 43,175 Shares under the Belgian Plan on an annual basis (assuming no other Belgian Plan limitations are exceeded). Based on the above assumptions, the holding of a shareholder of the Company currently holding 1% of the total outstanding share capital of the Company as of January 29, 2016 (i.e. 3,502,570 Shares) would be diluted by the Belgian Plan as indicated in the following table:

	Percentage of the total outstanding shares	Total number of outstanding shares
Before the offering	1.00%	350,257,015
After issuance of 43,175 Shares under the Belgian Plan	0.99988%	350,300,190

IV. Key information on the Company's financial condition, capitalization and indebtedness, working capital and risk factors

A. Statutory auditors

The statutory auditors of the Company over the fiscal years ended on December 28, 2013 and ended on January 3, 2015 and ended on January 2, 2016 were PricewaterhouseCoopers LLP, 1900 Saint Antoine Street, Detroit, Michigan 48226. The accounts for such years, prepared in accordance with the U.S. GAAP, were audited, and the audit reports contained no qualification.

B. Share capital

The aggregate market value of the common stock held by non-affiliates of the registrant (assuming for purposes of this computation only that the W. K. Kellogg Foundation Trust, directors and executive officers may be affiliates) as of the close of business on July 4, 2015 was approximately $17.7 billion based on the closing price of $63.14 for one share of common stock, as reported for the New York Stock Exchange on that date.

As of January 29, 2016, 350,257,015 shares of the common stock of the registrant were issued and outstanding.

There are no shareholders in the Company that, directly or indirectly, singly or jointly, exercise or are capable of exercising control over the Company.

Based on filings made under Section 13(d) and 13(g) of the Exchange Act, as of March 10, 2016, the only persons known by the Company to be beneficial owners of more than 5% of its common stock were:

(i) W.K. Kellogg Foundation Trust, c/o The Bank of New York Mellon Corporation, One Wall Street, New York, NY 10286, being the beneficial owner of 21.3% of the Company's common stock;

(ii) KeyCorp, 127 Public Square, Cleveland, OH 44114-1306, being the beneficial owner of 7.8% of the Company's common stock;

(iii) Gordon Gund, 14 Nassau Street, Princeton, NJ 08542-4523, being the beneficial owner of 7.7% of the Company's common stock.

For the fiscal year ended on January 2, 2016, no third parties have attempted a public takeover bid on the Company, by purchase or exchange of Shares of the Company.

C. Key financial data

Consolidated Statement of Income

(millions, except per share data)	2015	2014	2013
Net sales	**$ 13,525**	$ 14,580	$ 14,792
Cost of goods sold	**8,844**	9,517	8,689
Selling, general and administrative expense	**3,590**	4,039	3,266
Operating profit	**$ 1,091**	$ 1,024	$ 2,837
Interest expense	**227**	209	235
Other income (expense), net	**(91)**	10	4
Income before income taxes	**773**	825	2,606
Income taxes	**159**	186	792
Earnings (loss) from unconsolidated entities	**—**	(6)	(6)
Net income	**$ 614**	$ 633	$ 1,808
Net income (loss) attributable to noncontrolling interests	**—**	1	1
Net income attributable to Kellogg Company	**$ 614**	$ 632	$ 1,807
Per share amounts:			
Basic	**$ 1.74**	$ 1.76	$ 4.98
Diluted	**$ 1.72**	$ 1.75	$ 4.94
Dividends per share	**$ 1.98**	$ 1.90	$ 1.80

For further detail on the consolidated Kellogg Company income, please refer to the Notes to Consolidated Financial Statements on page 55 and following of the Company's Annual Report on Form 10-K for the fiscal year ending on January 2, 2016.

Consolidated Balance Sheet

(millions, except share data)		2015		2014
Current assets				
Cash and cash equivalents	**$**	**251**	$	443
Accounts receivable, net		**1,344**		1,276
Inventories		**1,250**		1,279
Other current assets		**391**		342
Total current assets		**3,236**		3,340
Property, net		**3,621**		3,769
Goodwill		**4,968**		4,971
Other intangibles, net		**2,268**		2,295
Investment in unconsolidated entities		**456**		1
Other assets		**716**		777
Total assets	**$**	**15,265**	$	15,153
Current liabilities				
Current maturities of long-term debt	**$**	**1,266**	$	607
Notes payable		**1,204**		828
Accounts payable		**1,907**		1,528
Other current liabilities		**1,362**		1,401
Total current liabilities		**5,739**		4,364
Long-term debt		**5,289**		5,935
Deferred income taxes		**685**		726
Pension liability		**946**		777
Other liabilities		**468**		500
Commitments and contingencies		—		—
Equity				
Common stock, $.25 par value, 1,000,000,000 shares authorized Issued: 420,315,589 shares in 2015 and 420,125,937 shares in 2014		**105**		105
Capital in excess of par value		**745**		678
Retained earnings		**6,597**		6,689

		2015		2014
Treasury stock, at cost 70,291,514 shares in 2015 and 64,123,181 shares in 2014		**(3,943)**		(3,470)
Accumulated other comprehensive income (loss)		**(1,376)**		(1,213)
Total Kellogg Company equity		**2,128**		2,789
Noncontrolling interests		**10**		62
Total equity		**2,138**		2,851
Total liabilities and equity	**$**	**15,265**	$	15,153

For further detail on the consolidated Kellogg Company balance sheet, please refer to the Notes to Consolidated Financial Statements on page 55 and following of the Company's Annual Report on Form 10-K for the fiscal year ending on January 2, 2016.

Quarterly results and annual reports will be published respectively in the Company's Quarterly Reports on Form 10-Q and the Company's Annual Report on Form 10-K, which are available on the Company's website (http://investor.kelloggs.com, under the "SEC filings" captions).

Additional information, such as the credit ratings of the Company, can be found in the Company's Annual Report on Form 10-K (Exhibit IV).

The cost of the stock-based compensation for U.S. GAAP accounting purposes is elaborated upon in the Company's Annual Report on Form 10-K (Exhibit IV). In addition, the Company has incurred legal costs of approximately US$ 35,000 to implement this prospectus in order to offer securities under the Plans to eligible employees of its subsidiaries in the EEA.

Further information concerning the Company's financial condition, including selected financial data, information on capitalization and indebtedness and a description of the risk factors is set forth in the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2016 (Exhibit IV).

The reasons for the offer and the use of proceeds are described in I.A above.

Information on the Company's capitalization and indebtedness and stockholder's equity is set forth in the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2016 (Exhibit IV). For detailed information related to the Company's Capital, please refer to page 53 of the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2016 (Exhibit IV). For detailed information related to the Company's indebtedness, please refer to pages 70-73 of the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2016 (Exhibit IV). For detailed information related to stockholder's equity, please refer to pages 67-69 of the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2016 (Exhibit IV). For detailed information on the Company's working capital, please refer to pages 39-42 of the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2016 (Exhibit IV). For detailed information on the Company's risk factors, please refer to pages 6-15 of the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2016 (Exhibit IV).

V. Information on the Company

A. Company history and activities

Kellogg Company was formed when production of Kellogg’s Corn Flakes® began at W.K. Kellogg’s newly formed Battle Creek Toasted Corn Flakes Company in 1906.

W.K. Kellogg began worldwide expansion of the company in 1914. By 1938, Kellogg had built plants in England and Australia. After W.K. Kellogg’s death in 1951, Kellogg continued to expand its operations, building plants in Latin America and Asia.

Kellogg has established itself as an industry leader with health-conscious, innovative breakfast choices like *Special K, All Bran and Product 19 cereals*.

Kellogg continued to expand its operations by acquiring the vegetarian-based food group Worthington Foods in 1999 and the organic-based food group Kashi Company in 2000. Kellogg also acquired snack leader Keebler Foods Company in 2001. A multi-year global relationship with Kellogg and Disney was formed in 2002 to introduce several new cereal and snack food products to the market.

In 2012, Kellogg's became the world's second-largest snack food company by acquiring the Pringles potato crisps brand from Procter & Gamble.

The Company currently manages its operations through nine operating segments that are based on product category or geographic location. These operating segments are evaluated for similarity with regards to economic characteristics, products, production processes, types or classes of customers, distribution methods and regulatory environments to determine if they can be aggregated into reportable segments.

The reportable segments are discussed in greater detail below:

The U.S. Morning Foods operating segment includes cereal, toaster pastries, health and wellness bars, and beverages.

U.S. Snacks includes cookies, crackers, cereal bars, savory snacks and fruit-flavored snacks.

U.S. Specialty represents food away from home channels, including food service, convenience, vending, Girl Scouts and food manufacturing. The food service business is mostly non-commercial, serving institutions such as schools and hospitals.

North America Other represents the U.S. Frozen, Kashi and Canada operating segments. As these operating segments are not considered economically similar enough to aggregate with other operating segments and are immaterial for separate disclosure, they have been grouped together as a single reportable segment.

The three remaining reportable segments are based on geographic location – Europe which consists principally of European countries; Latin America which is comprised of Central and South America

and includes Mexico; and Asia Pacific which is comprised of South Africa, Australia and other Asian and Pacific markets.

B. Particular provisions of the bylaws

The Company's annual meeting of shareholders is held for the purpose of electing directors and conducting other business as may properly come before the meeting and is held each year. The last annual shareholders' meeting was held on April 24, 2015.

C. Board of Directors (as per February 24, 2016)

Name	*Age*
Jim Jenness	69
John Bryant	50
John Dillon	77
Gordon Gund	76
Zachary Gund	45
Ann McLaughlin Korologos	74
Don Knauss	65
Mary A. Laschinger	55
Cynthia H. Milligan	69
Rogelio Rebolledo	71
La June Montgomery Tabron	53
Stephanie Burns	61
Noel Wallace	51
Carolyn Tastad	54

D. Executive Committee and Other Executive Officers (as per February 24, 2016)

Name	*Function*
John Bryant	Chairman and Chief Executive Officer
Ronald Dissinger	Senior Vice President and Chief Financial Officer
Alistair Hirst	Senior Vice President, Global Supply Chain
Samantha Long	Senior Vice President, Global Human Resources
Paul Norman	Senior Vice President, Kellogg Company and President, Kellogg North America
Gary Pilnick	Vice Chairman, Corporate Development and Chief Legal Officer

To the extent that such activity is required to be disclosed in Exhibits IV or V, for at least the previous five years, none of the directors or executive officers of the Company has:

(a) been convicted in relation to fraudulent offences;

(b) been associated with any bankruptcies, receiverships or liquidations when acting in their capacity as directors or executive officers of the Company; or

(c) been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

There are no family relationships between any of the directors and the executive officers listed above.

As indicated in the Company's Annual Report on Form 10-K (Exhibit IV), the Company has adopted guidelines regarding corporate governance, including a Code of Conduct, the full text of which is available on the Company's website, at http://investor.kelloggs.com/investor-relations/corporate-governance/code-of-conduct/default.aspx.

Further information on the Company, including its history and development, a business overview, its organizational structure and information concerning its property, is set forth in the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2016 (Exhibit IV).

VI. Operating and financial review and prospects

Information concerning the Company's operating results, its liquidity and capital resources and trends, among other things, is set forth in the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2016 (Exhibit IV).

VII. Directors, senior management and employees

Information concerning the Company's directors and senior management, their remuneration, Board practices, the Company's employees and share ownership is set forth in the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2016 (Exhibit IV) and in the Company's Definitive Proxy Statement (Exhibit V).

VIII. Major shareholders and related party transactions

Information concerning major shareholders of the Company, related party transactions and information concerning interests of experts and advisers is set forth in the Company's Definitive Proxy Statement (Exhibit V).

IX. Additional information

More detailed information about the Company, including information about its charter documents, and its businesses, as well as the contact information for certain subsidiaries of the Company, is available on the Company's website (http://investor.kelloggs.com).

The Annual Report on Form 10-K for the Company and its predecessors for fiscal years ending January 2, 2016, January 3, 2015 and December 28, 2013, as well as Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934, as amended, are also made available on the Company's website (http://investor.kelloggs.com, under the "SEC filings" captions) after the Company electronically files such materials with, or furnishes them to, the SEC.

Required filings by the Company's officers and directors and certain third parties with respect to transactions or holdings in Company shares are also made available on the Company's website, as are statements for the Company's shareholder meetings. These filings may also be read and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. The SEC also maintains an internet site (www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

Information about the Company's Board of Directors and Board Committees is available on the Company's website (http://investor.kelloggs.com, under the "Corporate Governance" captions).

EXHIBITS

EXHIBIT I
KELLOGG COMPANY SUB-PLAN TO THE 2013 LONG-TERM INCENTIVE PLAN FOR PARTICIPANTS IN BELGIUM, AND THE KELLOGG COMPANY 2013 LONG-TERM INCENTIVE PLAN

KELLOGG COMPANY
SUB-PLAN TO THE
2013 LONG-TERM INCENTIVE PLAN
FOR PARTICIPANTS IN BELGIUM

1. PURPOSE OF THE SUB-PLAN.

(a) Kellogg Company (the "***Company***") established the 2013 Long-Term Incentive Plan (the "***Plan***") to further and promote the interests of the Company, its subsidiaries and shareowners by enabling the Company and its subsidiaries to attract, retain and motivate employees and officers or those who will become employees or officers, and to align the interests of those individuals and the Company's shareowners. Capitalized terms used but not otherwise defined in this sub-plan shall have the meanings ascribed to such terms in the Plan.

(b) Section 3 of the Plan authorizes the Compensation Committee (the "***Committee***") to promulgate rules and regulations relating to the implementation, administration and maintenance of the Plan.

(c) The Committee has determined that it is appropriate and advisable to establish a sub-plan to the Plan for Participants in Belgium, for the purpose of allowing certain employees in Belgium to acquire shares of Common Stock at a discounted price through accumulated payroll deductions (the "***Sub-Plan***").

(d) The Plan is part of the Sub-Plan and is hereby incorporated by reference.

2. DEFINITIONS.

"***Acquisition Date***" means the last day of an Offering Period, unless such date is not a Business Day, in which case the Acquisition Date will be the first following Business Day.

"***Base Number***" shall have the meaning set forth in Section 9(a).

"***Base Pay***" means, as determined by the Company, the Employee's actual annual gross pay (including thirteenth month and holiday pay, but excluding other forms of remuneration and benefits (such as severance benefits, redundancy pay, termination indemnities and other post-employment benefits, as well as shift differentials, overtime, bonuses and income from other equity awards)), divided by 12.

"Business Day" means a day on which a Share can be purchased on the regulated market on which the Shares are listed and traded.

“***Cash Account***”	means the account established and maintained by the Company or a brokerage or other financial services firm designated by the Company for each Sub-Plan Participant for the purpose of holding Contributions made during an Offering Period until the Acquisition Date.
"***Contributions***"	means all amounts credited to the Cash Account of a Sub-Plan Participant pursuant to the Sub-Plan.
“***Employee***”	means, as determined by the Company, any individual who is an active permanent employee of a Participating Company, whether full-time or part-time, and who has been employed by the Participating Company for a period of at least six months, excluding (i) any employee merely employed by a Participating Company for a specified and limited period of time and (ii) any employee who by reason of a negotiated collective bargaining, other trade union agreement or other agreement is excluded from participation in the Sub-Plan.
"***Offering Date***"	means the first Business Day of each Offering Period under the Sub-Plan.
"***Offering Period***"	shall have the meaning set forth in Section 4.
“***Participating Company***”	means Wimble Manufacturing Belgium BVBA, and any Subsidiary in Belgium that may subsequently be designated by the Committee (or its delegate) as participating in the Sub-Plan, or any successor thereof.
“***Service***”	means, as determined by the Company, full-time or part-time active employment by an individual with a Participating Company.
“***Share***”	means a share of Common Stock.
"Stock Account"	means an account established and maintained by the Company or a brokerage or other financial services firm designated by the Company for each Sub-Plan Participant for the purpose of holding Restricted Shares.
“***Sub-Plan Effective Date***”	means April 26, 2013.
"***Sub-Plan Participant***"	means an eligible Employee who decides to enroll in the Sub-Plan.

"***Sub-Plan Restriction Period***" shall have the meaning set forth in Section 9(b).

"***Termination of Service***" means the first date a Sub-Plan Participant no longer actively performs (or is considered as performing) Service, as determined by the Company. Termination of Service is not deemed to occur in the case of any leave of absence approved by the Company or during any leave of absence for which reemployment upon the expiration of the leave is guaranteed by contract or statute.

Capitalized terms used in this Sub-Plan but not defined herein shall have the meaning ascribed to such terms in the Plan.

3. ELIGIBILITY.

Any individual who is an Employee on or after the Sub-Plan Effective Date is eligible to participate in the Sub-Plan.

4. OPERATION OF THE SUB-PLAN

(a) The Sub-Plan will be offered through succeeding monthly Offering Periods (each an "***Offering Period***"). An Offering Period shall start on the 19th day of each month and ends on the 18th day of the following month.

(b) The Sub-Plan shall continue until terminated in accordance with Section 13 hereof. The Committee shall have the power to change the duration and/or the frequency of Offering Periods with respect to future offerings if such change is announced prior to the scheduled beginning of the first Offering Period to be affected.

5. PARTICIPATION

(a) An eligible Employee may become a Sub-Plan Participant as of an Offering Date by accepting the terms of an enrollment agreement on the form provided by the Company (which may be in written or electronic form, as prescribed by the Company) at such times and in accordance with such procedures as may be established by the Committee (or its delegate) for the Offering Period commencing with that Offering Date. The enrollment agreement shall set forth the percentage of the Sub-Plan Participant's Base Pay (subject to Section 6(a) below) to be paid as Contributions pursuant to the Sub-Plan (or shall otherwise provide for the Sub-Plan Participant to elect such percentage).

(b) A Sub-Plan Participant may contribute to the Sub-Plan by means of payroll deductions, unless payroll deductions are not permitted under local law, as determined by the Company, in which case Sub-Plan Participants may be permitted by the Participating Company (in its sole discretion) to contribute to the Sub-Plan by an alternative method. Payroll deductions, or, if payroll deductions are not permitted under local law, payments made under an alternative method, shall commence as of the first

paydate following the Offering Date and shall end on the last payday on or prior to the Acquisition Date of the Offering Period to which the enrollment agreement is applicable, unless the Sub-Plan Participant's participation is terminated sooner as provided in Section 7 or Section 8.

(c) Except as provided below in this paragraph, a Sub-Plan Participant in an Offering Period shall be automatically re-enrolled in each succeeding Offering Period at the same applicable rate of Contributions, provided that the Sub-Plan Participant remains an eligible Employee through the entire applicable Offering Period and subject to changes in the Sub-Plan Participant's rate of Contributions as provided for in Section 6. If a Sub-Plan Participant timely withdraws from the Sub-Plan for an Offering Period, or has a Termination of Service during an Offering Period, the Sub-Plan Participant shall not be automatically re-enrolled in the succeeding Offering Period. The Committee may terminate automatic re-enrollment at any time with respect to any Offering Period that has not yet commenced at the time of such termination.

6. CONTRIBUTIONS.

(a) Where permitted under local law, the Sub-Plan Participant shall elect to have payroll deductions made on each payday during the Offering Period in an amount not less than one percent (1%) and not more than five percent (5%) of such Sub-Plan Participant's Base Pay on each (monthly) payday (determined by the Participating Company), or such other maximum percentage as the Committee may establish from time to time before an Offering Date. Where payroll deductions are not permitted under local law, the Sub-Plan Participant may be permitted by the Participating Company (in its sole discretion) to contribute to the Sub-Plan by an alternative method, as determined by the Company. All payroll deductions or other payments made by the Sub-Plan Participant shall be credited to his or her Cash Account under the Sub-Plan. The Sub-Plan Participant may not make any additional payments into such Cash Account.

(b) The Sub-Plan Participant may not increase or decrease the rate of his or her Contributions during an Offering Period. The Sub-Plan Participant may change the rate of his or her Contributions effective as of the beginning of any Offering Period by submitting a new Contribution rate election to the Company (or its delegate) at such times and in accordance with such procedures as may be established by the Committee (or its delegate) prior to the beginning of such Offering Period. Unless otherwise provided by the Committee, any election by a Sub-Plan Participant pursuant to this Section 6(b) to reduce his or her Contributions to zero shall be deemed to be a withdrawal by that Sub-Plan Participant from the Sub-Plan for that Offering Period and all subsequent Offering Periods pursuant to Section 7. If the Sub-Plan Participant wishes to participate in a succeeding Offering Period, he or she will need to re-enroll in the Sub-Plan.

(c) No interest shall accrue on the Contributions of a Sub-Plan Participant.

7. WITHDRAWAL.

A Sub-Plan Participant may withdraw all but not less than all the Contributions credited to his or her Cash Account, by giving notice of withdrawal from the Sub-Plan in accordance with the withdrawal procedures established by the Committee (or its delegate). All of the Sub-Plan Participant's Contributions credited to his or her Cash Account will be paid to him or her promptly after receipt of his or her notice of withdrawal and his or her participation in the Sub-Plan will be automatically terminated, and no further Contributions may be made by the Sub-Plan Participant with respect to that Offering Period. If the Sub-Plan Participant wishes to participate in a succeeding Offering Period, he or she will need to re-enroll in the Sub-Plan.

8. TERMINATION.

Upon Termination of Service prior to the Acquisition Date for any reason, including retirement, Disability or death, the Contributions credited to a Sub-Plan Participant's Cash Account will be promptly returned to him or her or his or her legal representatives or heirs, his or her participation will be automatically terminated, and no further Contributions may be made by the Sub-Plan Participant with respect to that Offering Period. If a Participating Company ceases to be a Participating Company, each person employed by that Participating Company will be deemed to have a Termination of Service for purposes of the Sub-Plan.

9. GRANT OF RESTRICTED SHARES.

(a) On each Acquisition Date, each Sub-Plan Participant shall be granted Restricted Shares under the Plan in consideration of paying the Contributions to the Company. The number of Restricted Shares granted on each Acquisition Date shall be determined by dividing such Sub-Plan Participant's Contributions accumulated during the Offering Period and retained in the Cash Account as of the Acquisition Date by the Fair Market Value of a Share on the Acquisition Date (the "***Base Number***") and multiplying the Base Number by 1.5. If the result is not a whole number, fractional Restricted Shares will be allocated.

(b) The Restricted Shares shall be subject to a restriction period of two years from the Acquisition Date, or such other period of time as determined by the Committee (the "***Sub-Plan Restriction Period***"). During the Sub-Plan Restriction Period, the Sub-Plan Participant has all of the legal rights of a shareholder of the Company, but may not sell, transfer or otherwise dispose of the Restricted Shares. The Company may require that Restricted Shares acquired under the Sub-Plan be held in a Stock Account established in the name of the Sub-Plan Participant, subject to such rules as determined by the Committee, including designation of a brokerage or other financial services firm to hold such Restricted Shares. After the lapse of the Sub-Plan Restriction Period, the Sub-Plan Participant may freely sell, transfer or otherwise dispose of the Shares and is no longer required to hold the Shares in the Stock Account.

10. TRANSFERABILITY.

Neither the Contributions credited to a Sub-Plan Participant's Cash Account nor any rights with regard to the Restricted Shares that may be granted under the Plan or the Sub-Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution) by the Sub-Plan Participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with Section 7.

11. CORPORATE TRANSACTIONS.

(a) In the event of the proposed dissolution or liquidation of the Company, any Offering Period then in progress will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Committee. If a Sub-Plan Participant's participation in the Sub-Plan is terminated pursuant to the preceding sentence, the Contributions then credited to such Sub-Plan Participant's Cash Account will be paid to him or her in cash without interest. In the event of a Change in Control, unless otherwise determined by the Committee, the Sub-Plan shall be assumed or substituted by the successor corporation or a parent or subsidiary of such successor corporation, or, if not so assumed or substituted, the Offering Period then in progress shall be shortened and the Board (or its delegate) shall set a new Acquisition Date (the "***New Acquisition Date***"). The New Acquisition Date shall be on or before the date of consummation of the transaction and the Committee (or its delegate) shall notify each Sub-Plan Participant in writing, at least ten (10) days prior to the New Acquisition Date, that the Acquisition Date has been changed to the New Acquisition Date, unless prior to such date he or she has withdrawn from the Offering Period as provided in Section 8.

(b) The treatment of Restricted Shares in the event of a Change in Control shall be as set forth in the Plan, except that contrary to Section 14.1.2. of the Plan, the restrictions applicable to Restricted Shares granted under the Sub-Plan shall not lapse in the event of a Change in Control (unless the Committee (or its delegate) decides otherwise).

12. AMENDMENT OR TERMINATION.

(a) The Committee may at any time and for any reason terminate or amend the Sub-Plan.

(b) Without regard to whether any Sub-Plan Participant's rights may be considered to have been adversely affected, the Committee (or its delegate) shall be entitled to change the Offering Periods, establish the exchange ratio applicable to Contributions made in a currency other than U.S. dollars, permit payroll deductions in excess of the rate designated by a Sub-Plan Participant in order to adjust for delays or mistakes in the Company's processing of properly completed Contribution elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that Contributions made under the Sub-Plan properly correspond

with deductions made from the Sub-Plan Participant's Base Pay, and establish such other limitations or procedures as the Committee determines in its sole discretion advisable which are consistent with the Plan.

KELLOGG COMPANY 2013 LONG-TERM INCENTIVE PLAN

1. **PURPOSE.** The purpose of the 2013 Long-Term Incentive Plan is to further and promote the interests of Kellogg Company, its Subsidiaries and its shareowners by enabling the Company and its Subsidiaries to attract, retain and motivate employees and officers or those who will become employees or officers, and to align the interests of those individuals and the Company's shareowners. To do this, the Plan offers performance-based incentive awards and equity-based opportunities providing such employees and officers with a proprietary interest in maximizing the growth, profitability and overall success of the Company and its Subsidiaries.

2. **DEFINITIONS.** Unless the context clearly indicates otherwise, for purposes of the Plan, the following terms shall have the following meanings:

2.1. ***"10% Shareowner"*** has the meaning set forth in Section 6.2.

2.2. ***"Award"*** means an award or grant made to a Participant under Sections 6, 7, 8 and/or 9 of the Plan.

2.3. ***"Award Agreement"*** means the written agreement executed by a Participant pursuant to Sections 3.2 and 16.7 of the Plan in connection with the granting of an Award.

2.4. ***"Base Value"*** has the meaning set forth in Section 7.2.

2.5. ***"Board"*** means the Board of Directors of the Company, as constituted from time to time.

2.6. ***"Cause"*** means, unless otherwise determined by the Committee in the applicable Award Agreement, the following: (i) in the case where there is no employment agreement, change in control agreement or similar agreement in effect between the Company or any Subsidiary and the Participant at the time of the grant of the Award (or where there is such an agreement but it does not define "cause" (or words of like import)), termination due to: (a) the willful and continued failure of the Participant to perform substantially the Participant's duties with the Company or any entity controlled by, controlling or under common control with the Company (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Participant by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or the Chief Executive Officer believes that the Participant has not substantially performed the Participant's duties; or (b) the willful engaging by the Participant in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company or any entity controlled by, controlling or under common control with the Company; provided, however, that no act, or failure to act, on the part of the Participant shall be considered "willful" unless it is done, or omitted to be done, by the Participant in bad faith or without reasonable belief that the Participant's action or omission was in the best interests of the Company or any entity controlled by, controlling or under common control with the Company; provided, further, that any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer of the Company or a senior officer of the Company or based upon the advice of counsel for the Company or any entity controlled by, controlling or under common control with the Company shall be conclusively presumed to be done, or omitted to be done, by the Participant in good faith and in the best interests of the Company

or any entity controlled by, controlling or under common control with the Company; or (ii) in the case where there is an employment agreement, change in control agreement or similar agreement in effect between the Company or any Subsidiary and the Participant at the time of the grant of the Award that defines "cause" (or words of like import), "cause" as defined under such agreement.

2.7. ***"Change in Control"*** has the meaning set forth in Section 14.2.

2.8. ***"Change in Control Price"*** has the meaning set forth in Section 13.3

2.9. ***"Code"*** means the Internal Revenue Code of 1986, as in effect and as amended from time to time, or any successor statute thereto, together with any rules, regulations and interpretations promulgated thereunder or with respect thereto.

2.10. ***"Collective Awards"*** means Awards together with any awards issued under Old Plans as of the Effective Date.

2.11. ***"Committee"*** means the committee of the Board designated to administer the Plan, as described in Section 3 of the Plan.

2.12. ***"Common Stock"*** means the Common Stock, par value $0.25 per share, of the Company or any security of the Company issued by the Company in substitution or exchange therefor.

2.13. ***"Company"*** means Kellogg Company, a Delaware corporation, or any successor corporation to Kellogg Company.

2.14. ***"Covered Employee"*** has the meaning set forth in Section 9.6.

2.15. ***"Director"*** means a director of the Company.

2.16. ***"Disability"*** means disability as defined in the Participant's then effective employment agreement, or if the Participant is not then a party to an effective employment agreement with the Company which defines disability, "Disability" means disability as determined by the Committee in accordance with standards and procedures similar to those under the Company's long-term disability plan, if any. Subject to the first sentence of this Section 2.15, at any time that the Company does not maintain a long-term disability plan, "Disability" shall mean any physical or mental disability which is determined to be total and permanent by a physician selected in good faith by the Company. Notwithstanding the foregoing, for purposes of Incentive Stock Options "Disability" shall mean a permanent and total disability as defined in Section 22(e)(3) of the Code, and for purposes of any Award that is subject to Section 409A of the Code, "Disability" shall mean that a Participant is "disabled" under Section 409A(a)(2)(c)(i) or (ii) of the Code.

2.17. ***"Effective Date"*** has the meaning set forth in Section 16.11.

2.18. ***"Exchange Act"*** means the Securities Exchange Act of 1934, as in effect and as amended from time to time, or any successor statute thereto, together with any rules, regulations and interpretations promulgated thereunder or with respect thereto.

2.19. ***"Exercise Value"*** has the meaning set forth in Section 7.2.

2.20. ***"Fair Market Value"*** on any date means (a) the officially quoted closing price in the primary trading session for a share of the Common Stock on the New York Stock Exchange-Composite Transactions Tape or on any other stock exchange, if any, on which the Common Stock is primarily traded (or if no shares of the Common Stock were traded on such date, then on the most recent previous date on which any shares of the Common Stock were so traded), or (b) if clause (a) is not applicable, the value of a share of the Common Stock for such date as established by the Committee, using any reasonable method of valuation consistent with the requirements of Section 409A of the Code.

2.21. ***"Good Reason"*** means, unless otherwise determined by the Committee in the applicable Award Agreement, the following: (i) in the case where there is no employment agreement, change in control agreement or similar agreement in effect between the Company or any Subsidiary and the Participant at the time of the grant of the Award (or where there is such an agreement but it does not define "good reason" (or words of like import)), termination due to: (a) a diminution in any material respect of the Participant's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities from those in effect immediately prior to the Change in Control, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and that is remedied by the Company and/or or any entity controlled by, controlling or under common control with the Company promptly after receipt of notice thereof given by the Participant; (b) a decrease in the Participant's Annual Base Salary (as defined below) or a decrease in the Participant's target Annual Bonus (as defined below) percentage from the target Annual Bonus percentage in effect for such Participant immediately prior to the Change in Control or, if higher, the date of receipt of the notice of termination by the Participant (excluding a decrease in target Annual Bonus percentage resulting from an across-the-board change to the applicable bonus plan or policy which generally has an equal impact on the other senior executives of the Company and any entity controlled by, controlling or under common control with the Company); or (c) the Company's or any entity controlled by, controlling or under common control with the Company requiring the Participant to be based at any office or location, other than the office or location where the Participant was based and performed services immediately prior to the Change in Control, that is not reasonably commutable by the Participant on a daily basis; provided, that any good faith determination of Good Reason made by the Participant shall be conclusive; or (ii) in the case where there is an employment agreement, change in control agreement or similar agreement in effect between the Company or any Subsidiary and the Participant at the time of the grant of the Award that defines "good reason" (or words of like import), "good reason" as defined under such agreement. For purposes of this definition, "Annual Base Salary" means twelve times the higher of (i) the highest monthly base salary paid or payable to the Participant by the Company and any entity controlled by, controlling or under common control with the Company in respect of the twelve-month period immediately preceding the month in which the Change in Control occurs, and (ii) the highest monthly base salary in effect at any time thereafter, in each case including any base salary that has been earned and deferred. For purposes of this definition, "Annual Bonus" means the annual cash bonus awarded to the Participant in respect of a fiscal year under the Company's or any entity controlled by, controlling or under common control with the Company's annual incentive plans, or any comparable bonus under any predecessor or successor plans.

2.22. ***"Incentive Stock Option"*** means any stock option granted pursuant to the provisions of Section 6 of the Plan (and the relevant Award Agreement) that is intended to be (and is specifically designated as) an "incentive stock option" within the meaning of Section 422 of the Code.

2.23. ***“Incumbent Board”*** has the meaning set forth in Section 14.2.

2.24. ***“Merger Event”*** has the meaning set forth in Section 13.3.

2.25. ***“Net Exercise”*** means a Participant’s ability to exercise a Stock Option by directing the Company to deduct from the shares of Common Stock issuable upon exercise of his or her Stock Option a number of shares of Common Stock having an aggregate Fair Market Value equal to the sum of the aggregate exercise price therefor plus the amount of the Participant’s minimum tax withholding (if any), whereupon the Company shall issue to the Participant the net remaining number of shares of Common Stock after such deductions.

2.26. ***“Non-Employee Director”*** means a director of the Company who is a “nonemployee director” within the meaning of Rule 16b-3 promulgated under the Exchange Act.

2.27. ***“Non-Qualified Stock Option”*** means any Stock Option granted pursuant to the provisions of Section 6 of the Plan (and the relevant Award Agreement) that is not an Incentive Stock Option.

2.28. ***“Old Plans***” means the Kellogg Company 2001 Long-Term Incentive Plan, the Kellogg Company 2003 Long-Term Incentive Plan and the Kellogg Company 2009 Long-Term Incentive Plan.

2.29. ***“Other Cash-Based Award”*** means an Award granted pursuant to Section 9.8 and payable in cash at such time or times and subject to such terms and conditions as determined by the Committee in its sole discretion.

2.30. ***“Outside Director”*** means a director of the Company who is an “outside director” within the meaning of Section 162(m) of the Code.

2.31. ***“Outstanding Company Common Stock”*** has the meaning set forth in Section 14.2.

2.32. ***“Outstanding Company Voting Securities”*** has the meaning set forth in Section 14.2.

2.33. ***“Participant”*** means any individual who is selected from time to time under Section 5 to receive an Award under the Plan.

2.34. ***“Performance-Based Compensation”*** means any Award that is intended to constitute “performance-based compensation” within the meaning of Code Section 162(m)(4)(C).

2.35. ***“Performance Share Unit” or “Performance Share”*** means an Award granted pursuant to the provisions of Section 9 of the Plan and the relevant Award Agreement, or a Restricted Share Unit or Restricted Share intended to be Performance-Based Compensation.

2.36. ***“Performance Unit”*** means an Award granted pursuant to the provisions of Section 9 of the Plan and the relevant Award Agreement.

2.37. ***“Person”*** has the meaning set forth in Section 14.2.

2.38. ***"Plan"*** means this Kellogg Company 2013 Long-Term Incentive Plan, as set forth herein and as in effect and as amended from time to time (together with any rules and regulations promulgated by the Committee with respect thereto).

2.39. ***"Restricted Shares"*** means an Award of restricted shares of Common Stock granted pursuant to the provisions of Section 8 of the Plan and the relevant Award Agreement.

2.40. ***"Restricted Share Units"*** means an Award granted pursuant to the provisions of Section 8 of the Plan and the relevant Award Agreement.

2.41. ***"Restriction Period"*** has the meaning set forth in Section 8.3.

2.42. ***"Retirement"*** means the voluntary termination by the Participant from active employment with the Company and its Subsidiaries on or after the attainment of normal retirement age under Company-sponsored pension or retirement plans, or any other age with the consent of the Committee.

2.43. ***"Section 16 Officer"*** means an "officer" as such term is defined in Rule 16a-1(f) of the Exchange Act.

2.44. ***"Stock Appreciation Right"*** means an Award described in Section 7.2 of the Plan and granted pursuant to the provisions of Section 7 of the Plan.

2.45. **"*Stock Option*"** means a Non-Qualified Stock Option or an Incentive Stock Option.

2.46. ***"Subsidiary(ies)"*** means any corporation or other entity of which outstanding shares or ownership interests representing 50% or more of the combined voting power of such corporation or other entity entitled to elect the management thereof, or such lesser percentage as may be approved by the Committee, are owned directly or indirectly by the Company. Notwithstanding the foregoing, for purposes of Incentive Stock Options, "Subsidiary" means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code.

3. **ADMINISTRATION.**

3.1. ***The Committee.*** The Plan shall be administered by the Compensation Committee of the Board, as constituted from time to time. The Committee shall consist of two or more non-employee directors, each of whom shall be (i) a "non-employee director" as defined in Rule 16b-3 of the Exchange Act; (ii) to the extent required by Section 162(m) of the Code, an "outside director" as defined under Section 162(m) of the Code; and (iii) an "independent director" as defined under Section 303A of the Listed Company Manual of the New York Stock Exchange or such other applicable stock exchange rule. To the extent no Committee exists that has the authority to administer this Plan, the functions of the Committee shall be exercised by the Board. If for any reason the appointed Committee does not meet the requirements of Rule 16b-3 of the Exchange Act, Section 162(m) of the Code or Section 303A of the Listed Company Manual, such noncompliance shall not affect the validity of Awards, grants, interpretations or other actions of the Committee.

3.2. ***Plan Administration and Plan Rules.*** The Committee is authorized to construe and interpret the Plan and to promulgate, amend and rescind rules and regulations

relating to the implementation, administration and maintenance of the Plan. Subject to the terms and conditions of the Plan, the Committee shall make all determinations necessary or advisable for the implementation, administration and maintenance of the Plan including, without limitation, (a) selecting the Plan's Participants, (b) making Awards in such amounts and form as the Committee shall determine, (c) imposing such restrictions, terms and conditions upon such Awards as the Committee shall deem appropriate, and (d) correcting any technical defect(s) or technical omission(s), or reconciling any technical inconsistency(ies), in the Plan and/or any Award Agreement. Subject to applicable law, the Committee may designate persons other than members of the Committee to carry out the day-to-day ministerial administration of the Plan under such conditions and limitations as it may prescribe. Subject to the requirements of Section 157(c) of the Delaware General Corporation Law (or any successor statute), the Committee may, in its sole discretion, delegate its authority to one or more senior executive officers for the purpose of making Awards to Participants who are not Section 16 Officers, but no officer of the Company shall have the authority to grant Awards to himself or herself. Any such delegation shall be made by resolution of the Board and such resolution shall set forth the total number of shares of Common Stock that may be subject to Awards granted pursuant to such delegation. The Committee's determinations under the Plan need not be uniform and may be made selectively among Participants, whether or not such Participants are similarly situated. Any determination, decision or action of the Committee in connection with the construction, interpretation, administration, implementation or maintenance of the Plan shall be final, conclusive and binding upon all Participants and any person(s) claiming under or through any Participants. The Company shall effect the granting of Awards under the Plan, in accordance with the determinations made by the Committee, by execution of Award Agreements in such form as is approved by the Committee.

3.3. ***Liability Limitation.*** Neither the Board, the Committee, nor any member of either, nor any of their designees, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with the Plan (or any Award Agreement) or any transaction hereunder, and the members of the Board and the Committee shall be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under any directors and officers liability insurance coverage which may be in effect from time to time.

4. **TERM OF PLAN/COMMON STOCK SUBJECT TO PLAN**.

4.1. ***Limitations for Incentive Stock Options.*** Incentive Stock Options may not be granted following February 22, 2023, which is the ten-year anniversary of the Board's adoption of the Plan. The maximum number of shares of Common Stock that may be issued pursuant to the grant of Incentive Stock Options under the Plan shall be 22,000,000 shares (as may be adjusted pursuant to Section 13.2), without regard to the provisions of Section 4.2(ii).

4.2. ***Limitations for Common Stock.***

(i) The maximum number of shares of Common Stock in respect of which Awards may be granted or paid out under the Plan, subject to adjustment as provided in this Section, Section 4.3 and Section 13.2 of the Plan, shall not exceed 22,000,000 shares, plus the aggregate number of shares of Common Stock described in Section 4.2(ii).

(ii) Any shares of Common Stock that are subject to Collective Awards that expire or lapse or are forfeited, surrendered, cancelled, terminated or settled in cash in lieu of Common Stock shall again be available for Awards under the Plan, subject to the provisions of Section 4.3, to the extent of such expiration, forfeiture, surrender, cancellation, termination or settlement of such Collective Awards (as may be adjusted pursuant to Section 13.2). Shares of Common Stock that as of the Effective Date have not been issued under either the Kellogg Company 2001 Long-Term Incentive Plan or the Kellogg Company 2003 Long-Term Incentive Plan, and are not covered by outstanding awards under such plans granted on or before the Effective Date, shall not be available for Awards under the Plan. Shares of Common Stock that as of the Effective Date have not been issued under the Kellogg Company 2009 Long-Term Incentive Plan, and are not covered by outstanding awards under such plan granted on or before the Effective Date, shall be available for Awards under the Plan.

(iii) Common Stock which may be issued under the Plan may be either authorized and unissued shares or issued shares which have been reacquired by the Company (in the open-market or in private transactions) and which are being held as treasury shares. No fractional shares of Common Stock shall be issued under the Plan, and the Committee shall determine the manner in which fractional share value shall be treated.

(iv) In the event of a change in the Common Stock of the Company that is limited to a change in the designation thereof to “Capital Stock” or other similar designation, or to a change in the par value thereof, or from par value to no par value, without increase or decrease in the number of issued shares, the shares resulting from any such change shall be deemed to be the Common Stock for purposes of the Plan.

4.3. ***Computation of Available Shares.***

(i) For the purpose of computing the total number of shares of Common Stock available for Awards under the Plan, there shall be counted against the limitations set forth in Section 4.2 of the Plan (subject to the remainder of this Section and Section 13.2) the maximum number of shares of Common Stock issued upon exercise or settlement of Awards granted under Sections 6 and 7 of the Plan and the number of shares of Common Stock issued under grants of Restricted Shares, Restricted Share Units and Performance Share Units pursuant to Sections 8 and 9 of the Plan, in each case determined as of the date on which such Awards are issued; provided, however, that (A) the total number of shares remaining available for issuance under the Plan shall be reduced by 2.0 shares for each share issued pursuant to an Award other than a Stock Option or a Stock Appreciation Right, or potentially issuable pursuant to an outstanding Award other than a Stock Option or a Stock Appreciation Right, and (B) Awards granted in connection with the assumption of, or in substitution or exchange for, outstanding awards granted by a company or other entity acquired by the Company or any Subsidiary or with which the Company or any Subsidiary

combines shall not reduce the maximum number of shares of Common Stock remaining available for issuance under the Plan.

(ii) In the event that any shares of Common Stock are withheld by the Company or shares of Common Stock that are already owned by the Participant are tendered (either actually or by attestation) by a Participant to satisfy any tax withholding obligation pursuant to Section 16.1 with respect to an Award or a Collective Award other than a Stock Option or Stock Appreciation Right, then the shares so tendered or withheld shall automatically again become available for issuance under the Plan and correspondingly increase the total number of shares available for issuance under Section 4.2 in accordance with the same ratio specified in clause (A) of the proviso in Section 4.3(i). Notwithstanding anything to the contrary in this Section 4.3(ii), the following shares of Common Stock will not again become available for issuance under the Plan: (I) any shares which would have been issued upon any exercise of a Stock Option but for the fact that the exercise price was paid by a Net Exercise pursuant to Section 6.5 or any shares of Common Stock that are already owned by the Participant are tendered (either actually or by attestation) by a Participant in payment of the exercise price of a Stock Option; (II) any shares withheld by the Company or shares of Common Stock that are already owned by the Participant are tendered (either actually or by attestation) by a Participant to satisfy any tax withholding obligation with respect to a Stock Option or Stock Appreciation Right or a Collective Award that is a Stock Option or Stock Appreciation Right; (III) shares covered by a Stock Appreciation Right issued under the Plan or the Old Plans that are not issued in connection with the stock settlement of the Stock Appreciation Right upon its exercise; or (IV) shares that are repurchased by the Company using Stock Option exercise proceeds.

4.4. ***Maximum Yearly Awards.*** The maximum annual Common Stock amounts in this Section 4.4 are subject to adjustment under Section 13.2 and are subject to the Plan maximum determined pursuant to Sections 4.2 and 4.3.

4.4.1 ***Stock Options and Stock Appreciation Rights.*** The maximum number of shares of Common Stock that may be subject to Awards of Stock Options or Stock Appreciation Rights to any Participant in any calendar year under the Plan shall not exceed 2,000,000 shares of Common Stock.

4.4.2 ***Restricted Shares and Restricted Share Units.*** There is no annual individual share limitation for Awards of Restricted Shares or Restricted Share Units which are not intended to be Performance-Based Compensation.

4.4.3 ***Performance Share Units.*** The maximum number of shares of Common Stock that may be subject to Performance Share Units granted to any Participant in any calendar year under the Plan shall not exceed 1,000,000 shares of Common Stock.

4.4.4 ***Performance Units.*** The maximum cash amount payable under any Performance Unit intended to be Performance-Based Compensation to any Participant for any calendar year shall be $10 million.

4.4.5 ***Other Cash-Based Awards.*** The maximum cash amount payable under any Other Cash-Based Award intended to be Performance-Based Compensation to any Participant for any calendar year shall be $6 million.

4.5. ***Minimum Purchase Price.*** Notwithstanding any provision of the Plan to the contrary, if authorized but previously unissued shares of Common Stock are issued under the Plan, such shares shall not be issued for consideration that is less than as permitted under applicable law.

5. **ELIGIBILITY**.

5.1. ***General.*** Individuals eligible for Awards under the Plan shall consist of employees, officers and directors or those who will become employees, officers or directors of the Company and/or its Subsidiaries whose performance or contribution, in the sole discretion of the Committee, benefits or will benefit the Company or any Subsidiary.

5.2. ***Minimum Vesting Requirements.*** Notwithstanding any other provision in the Plan to the contrary, except as otherwise provided in this Section 5.2, (i) Restricted Shares and Restricted Share Units that vest solely as a result of the passage of time and continued service by the Participant shall be subject to a vesting period of not less than three years from the date of grant of the applicable Award (but permitting pro rata vesting over such time); and (ii) Restricted Shares, Restricted Share Units, Performance Shares and Performance Share Units whose vesting is subject to the achievement of specified Performance Goals over a performance period shall be subject to a performance period of not less than one year from the date of grant of the applicable Award. The minimum vesting periods specified in clauses (i) and (ii) of the preceding sentence shall not apply: (A) to Awards made in payment of earned performance-based Awards and other earned cash-based incentive compensation; (B) to a termination of employment due to death, Disability or Retirement; (C) upon a Change in Control; (D) to Awards granted in connection with the assumption of, or in substitution or exchange for, outstanding awards granted by a company or other entity acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines that does not reduce the vesting period of the award being replaced; or (E) to Awards involving an aggregate number of shares of Common Stock not in excess of five (5) percent of the number of shares available for Awards under the first sentence of Section 4.2(i).

6. **STOCK OPTIONS**.

6.1. ***Terms and Conditions.*** Stock Options granted under the Plan shall be in respect of Common Stock and may be in the form of Incentive Stock Options or Non-Qualified Stock Options. Such Stock Options shall be subject to the terms and conditions set forth in this Section 6 and any additional terms and conditions, not inconsistent with the express terms and provisions of the Plan, as the Committee shall set forth in the relevant Award Agreement.

6.2. ***Grant.*** Stock Options may be granted under the Plan in such form as the Committee may from time to time approve. Stock Options may be granted alone or in addition to other Awards under the Plan or in tandem with Stock Appreciation Rights. Additional provisions shall apply to Incentive Stock Options granted to any employee who owns (within the meaning of Section 422(b)(6) of the Code) more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or its parent

corporation or any Subsidiary of the Company, within the meaning of Sections 424(e) and (f) of the Code (a ***"10% Shareowner"***).

6.3. ***Exercise Price.*** The exercise price per share of Common Stock subject to a Stock Option shall be determined by the Committee; provided, however, that the exercise price of a Stock Option shall not be less than one hundred percent (100%) of the Fair Market Value of the Common Stock on the grant date of such Stock Option; provided, further, however, that, in the case of a 10% Shareowner, the exercise price of an Incentive Stock Option shall not be less than one hundred ten percent (110%) of the Fair Market Value of the Common Stock on the grant date.

6.4. ***Term.*** The term of each Stock Option shall be such period of time as is fixed by the Committee; provided, however, that the term of any Stock Option shall not exceed ten (10) years (five (5) years, in the case of a 10% Shareowner receiving an Incentive Stock Option) after the date immediately preceding the date on which the Stock Option is granted.

6.5. ***Method of Exercise.*** A Stock Option may be exercised, in whole or in part, by giving written notice of exercise to the Secretary of the Company, or the Secretary's designee, specifying the number of shares to be purchased. Such notice shall be accompanied by payment in full of the exercise price. The methods of payment permitted by this Plan for payment in full of the aggregate exercise price of a Stock Option are as follows: (i) by cash, certified check, bank draft, electronic transfer, or money order payable to the order of the Company, (ii) if permitted by the Committee in its sole discretion, by surrendering (or attesting to the ownership of) shares of Common Stock already owned by the Participant, (iii) pursuant to a Net Exercise arrangement; *provided, however,* that in such event, the Committee may exercise its discretion to limit the use of a Net Exercise solely with respect to the portion of such payment required to be made with respect to tax withholding, or (iv) if permitted by the Committee (in its sole discretion) and applicable law, by delivery of, alone or in conjunction with a partial cash or instrument payment, some other form of payment acceptable to the Committee. Payment instruments shall be received by the Company subject to collection. The proceeds received by the Company upon exercise of any Stock Option may be used by the Company for general corporate purposes. Any portion of a Stock Option that is exercised may not be exercised again. The shares issued to an optionee for the portion of any Stock Option exercised by attesting to the ownership of shares shall not exceed the number of shares issuable as a result of such exercise (determined as though payment in full therefor were being made in cash) less the number of shares for which attestation of ownership is submitted. The value of owned shares submitted (directly or by attestation) in full or partial payment for the shares purchased upon exercise of a Stock Option shall be equal to the aggregate Fair Market Value of such owned shares on the date of the exercise of such Stock Option.

6.6. ***Exercisability.*** Any Stock Option granted under the Plan shall become exercisable on such date or dates, or based on the attainment of such performance goals, as determined by the Committee (in its sole discretion) at any time and from time to time in respect of such Stock Option, and as set forth in the applicable Award Agreement. Notwithstanding anything to the contrary contained in this Section 6.6, unless otherwise provided in an Award Agreement, such Stock Option shall become one hundred percent (100%) vested and exercisable as to the aggregate number of shares of Common Stock underlying such Stock Option upon the death, Disability or Retirement of the Participant.

6.7. ***Tandem Grants.*** If Non-Qualified Stock Options and Stock Appreciation Rights are granted in tandem, as designated in the relevant Award Agreements, the right of a

Participant to exercise any such tandem Stock Option shall terminate to the extent that the shares of Common Stock subject to such Stock Option are used to calculate amounts or shares receivable upon the exercise of the related tandem Stock Appreciation Right.

6.8. ***No Reload Provision.*** Stock Options granted under this Plan shall not contain any provision entitling the optionee to the automatic grant of additional Stock Options in connection with any exercise of the original Stock Option.

7. STOCK APPRECIATION RIGHTS.

7.1. ***Terms and Conditions.*** The grant of Stock Appreciation Rights under the Plan shall be subject to the terms and conditions set forth in this Section 7 and any additional terms and conditions, not inconsistent with the express terms and provisions of the Plan, as the Committee shall set forth in the relevant Award Agreement.

7.2. ***Stock Appreciation Rights.*** A Stock Appreciation Right is an Award granted with respect to a specified number of shares of Common Stock, as shall be determined by the Committee, entitling a Participant to receive an amount equal to the excess of the Fair Market Value of a share of Common Stock on the date of exercise (the ***"Exercise Value"***) over the Fair Market Value of a share of Common Stock on the grant date of the Stock Appreciation Right (the ***"Base Value"***), multiplied by the number of shares of Common Stock with respect to which the Stock Appreciation Right shall have been exercised. In the case of a Stock Appreciation Right related to a Stock Option described in Section 6.7, the Base Value shall be the purchase price of a share of Common Stock under the Stock Option, provided, however, such amount may not be less than the Fair Market Value of the Common Stock on the date the Stock Appreciation Right is awarded. The Base Value of a Stock Appreciation Right shall not be less than one hundred percent (100%) of the Fair Market Value of the Common Stock on the grant date of such Stock Appreciation Right.

7.3. ***Grant.*** A Stock Appreciation Right may be granted in addition to any other Award under the Plan or in tandem with or independent of a Non-Qualified Stock Option.

7.4. ***Term.*** The term of each Stock Appreciation Right shall be such period of time as is fixed by the Committee; provided, however, that the term of any Stock Appreciation Right shall not exceed ten (10) years after the date immediately preceding the date on which the Stock Appreciation Right is granted.

7.5. ***Date of Exercisability.*** In respect of any Stock Appreciation Right granted under the Plan, unless otherwise (a) determined by the Committee (in its sole discretion) at any time and from time to time in respect of any such Stock Appreciation Right, or (b) provided in the Award Agreement, a Stock Appreciation Right may be exercised by a Participant, in accordance with and subject to all of the procedures established by the Committee, in whole or in part at such time or times and/or based on the achievement of such performance goals as determined by the Committee in its sole discretion. Notwithstanding the preceding sentence, in no event shall a Stock Appreciation Right be exercisable prior to the exercisability of any Non-Qualified Stock Option with which it is granted in tandem. The Committee may also provide, as set forth in the relevant Award Agreement and without limitation, that some Stock Appreciation Rights shall be automatically exercised and settled on one or more fixed dates specified therein by the Committee.

7.6. ***Form of Payment.*** Upon exercise of a Stock Appreciation Right, payment may be made to the Participant in respect thereof in cash, in Restricted Shares or in shares

of unrestricted Common Stock, or in any combination thereof, as the Committee, in its sole discretion, shall determine and provide in the relevant Award Agreement.

7.7. ***Tandem Grant.*** The right of a Participant to exercise a tandem Stock Appreciation Right shall terminate to the extent such Participant exercises the Non-Qualified Stock Option to which such Stock Appreciation Right is related.

8. RESTRICTED SHARES AND RESTRICTED SHARE UNITS.

8.1. ***Restricted Share and Restricted Share Unit Grants.*** A grant of Restricted Shares is an Award of shares of Common Stock granted to a Participant, subject to such restrictions, terms and conditions as the Committee deems appropriate, including, without limitation, (a) restrictions on the sale, assignment, transfer, hypothecation or other disposition of such shares, (b) the requirement that the Participant deposit such shares with the Company while such shares are subject to such restrictions, and (c) the requirement that such shares be forfeited upon termination of employment for specified reasons within a specified period of time or for other reasons (including, without limitation, the failure to achieve designated performance goals). A grant of Restricted Share Units is a notional Award of shares of Common Stock which entitle the Participant to a number of unrestricted shares of Common Stock equal to (or a cash amount equal in value to such number of unrestricted shares of Common Stock) the number of Restricted Share Units upon the lapse of similar restrictions, terms and conditions.

8.2. ***Terms and Conditions.*** Grants of Restricted Shares and Restricted Share Units shall be subject to the terms and conditions set forth in this Section 8 and any additional terms and conditions, not inconsistent with the express terms and provisions of the Plan, as the Committee shall set forth in the relevant Award Agreement. Restricted Shares and Restricted Share Units may be granted alone or in addition to any other Awards under the Plan. Subject to the terms of the Plan, the Committee shall determine the number of Restricted Shares and Restricted Share Units to be granted to a Participant and the Committee may provide or impose different terms and conditions on any particular Restricted Share or Restricted Share Units grant made to any Participant. With respect to each Participant receiving an Award of Restricted Shares, there shall be issued a stock certificate (or certificates) in respect of such Restricted Shares. Such stock certificate(s) shall be registered in the name of such Participant, shall be accompanied by a stock power duly executed by such Participant, and shall bear, among other required legends, the following legend:

> "The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including, without limitation, forfeiture events) contained in the Kellogg Company 2013 Long-Term Incentive Plan and an Award Agreement entered into between the registered owner hereof and Kellogg Company. Copies of such Plan and Award Agreement are on file in the office of the Secretary of Kellogg Company, One Kellogg Square, Battle Creek, MI 49016. Kellogg Company will furnish to the recordholder of the certificate, without charge and upon written request at its principal place of business, a copy of such Plan and Award Agreement. Kellogg Company reserves the right to refuse to record the transfer of this certificate until all such restrictions are satisfied, all such terms are complied with and all such conditions are satisfied."

Such stock certificate evidencing such shares shall, in the sole discretion of the Committee, be deposited with and held in custody by the Company until the restrictions thereon shall

have lapsed and all of the terms and conditions applicable to such grant shall have been satisfied. With respect to each Participant receiving an Award of Restricted Share Units that is settled in shares of Common Stock, there shall be issued a stock certificate (or certificates) in respect of the underlying shares of Common Stock upon the lapse of the restrictions associated with such Restricted Share Units.

8.3. ***Restriction Period.*** In accordance with Sections 8.1 and 8.2 of the Plan and unless otherwise determined by the Committee (in its sole discretion) at any time and from time to time, Restricted Shares and Restricted Share Units shall only become unrestricted and vested in accordance with the vesting schedule relating to such Restricted Shares and Restricted Share Units, if any, as the Committee may establish in the relevant Award Agreement, which may be based on the lapse of a specified time period or periods or on the attainment of specified performance goals (the ***"Restriction Period"***). During the Restriction Period, such Restricted Shares and the underlying shares of Common Stock with respect to the Restricted Share Units shall be and remain unvested and a Participant may not sell, assign, transfer, pledge, encumber or otherwise dispose of or hypothecate such Award. Upon satisfaction of the vesting schedule and any other applicable restrictions, terms and conditions, the Participant shall be entitled to receive payment of the Restricted Shares or a portion thereof, as the case may be, as provided in Section 8.4 of the Plan. Restricted Share Units may be paid in cash, shares of Common Stock or any combination thereof, as determined by the Committee. To the extent that any Restricted Share Award or Restricted Share Unit Award is intended to be Performance-Based Compensation, such Award shall be subject to the provisions of Sections 9.4, 9.6 and 9.7, and the certification requirements contained in Section 9.5.

8.4. ***Payment of Restricted Share and Restricted Share Unit Grants.*** After the satisfaction and/or lapse of the restrictions, terms and conditions established by the Committee in respect of a grant of Restricted Shares, a new or additional certificate, without the legend set forth in Section 8.2 of the Plan, for the number of shares of Common Stock which are no longer subject (or deemed subject) to such restrictions, terms and conditions shall, as soon as practicable thereafter, be delivered to the Participant. Restricted Share Units may be paid or settled in cash or in shares of Common Stock, or in combination thereof, as the Committee, in its sole discretion, shall determine and provide in the relevant Award Agreement.

8.5. ***Shareowner Rights.*** A Participant shall have, with respect to the shares of Common Stock underlying a grant of Restricted Shares (but not under Restricted Share Units), all of the rights of a shareowner of such shares (except as such rights are limited or restricted under the Plan or in the relevant Award Agreement).

9. **PERFORMANCE UNITS AND PERFORMANCE SHARE UNITS AND OTHER CASH-BASED AWARDS.**

9.1. ***Terms and Conditions.*** Performance Units and Performance Share Units shall be subject to the terms and conditions set forth in this Section 9 and any additional terms and conditions, not inconsistent with the express provisions of the Plan, as the Committee shall set forth in the relevant Award Agreement.

9.2. ***Performance Unit and Performance Share Unit Grants.*** A grant of Performance Units is a notional Award of units (with each unit representing such monetary amount or value as is designated by the Committee in the Award Agreement) granted to a Participant, subject to such terms and conditions as the Committee deems appropriate,

including, without limitation, the requirement that the Participant forfeit such units (or a portion thereof) in the event certain performance criteria or other conditions are not met within a designated period of time. A grant of Performance Share Units is an Award of actual or notional shares of Common Stock which entitle the Participant to a number of shares of Common Stock equal to the number of Performance Share Units upon achievement of specified performance goals and such other terms and conditions as the Committee deems appropriate.

9.3. ***Grants.*** Performance Units and Performance Share Units may be granted alone or in addition to any other Awards under the Plan. Subject to the terms of the Plan, the Committee shall determine the number of Performance Units and Performance Share Units to be granted to a Participant and the Committee may impose different terms and conditions on any particular Performance Units and Performance Share Units granted to any Participant.

9.4. ***Performance Goals and Performance Periods.*** Participants receiving a grant of Performance Units and Performance Share Units shall be entitled to payment in respect of such Awards if the Company and/or the Participant achieves specified performance goals (the ***"Performance Goals"***) during and in respect of a designated performance period (the ***"Performance Period"***). The Performance Goals and the Performance Period shall be established in writing by the Committee, in its sole discretion. The Committee shall establish Performance Goals for each Performance Period prior to, or as soon as practicable after, the commencement of such Performance Period (and, in any event, no later than ninety (90) days after the commencement of the Performance Period or such other period required by applicable law). At the time of the granting of Performance Units and Performance Share Units which are intended to constitute Performance-Based Compensation, or at any time thereafter, in either case to the extent permitted under Section 162(m) of the Code without adversely affecting the treatment of the Award as Performance-Based Compensation, the Committee may provide for the manner in which performance will be measured against the Performance Goals (or may adjust the Performance Goals) to reflect the impact of specified corporate transactions, accounting or tax law changes and other extraordinary or nonrecurring events. The Committee shall also establish a schedule or schedules for Performance Units and Performance Share Units setting forth the portion of the Award which will be earned or forfeited based on the degree of achievement, or lack thereof, of the Performance Goals at the end of the relevant Performance Period. In setting Performance Goals, the Committee may use, but shall not be limited to, such measures as: total shareowner return; net earnings growth; sales or revenue growth; cash flow; net sales; operating income; net income; net income per share (basic or diluted); earnings before or after any one or more of taxes, interest, depreciation and amortization; profitability as measured by return ratios (including return on invested capital, return on assets, return on equity, return on investment and return on sales); market share; cost reduction goals; margins (including one or more of gross, operating and net income margins); stock price; economic value added; working capital; and strategic plan development and implementation; or such other measure or measures of performance as the Committee, in its sole discretion, may deem appropriate (which may include those measures set forth in Section 9.6). Such performance measures shall be defined as to their respective components and meaning by the Committee (in its sole discretion) and may be based on the attainment of specified levels of Company (or Subsidiary, division, or other operational or administrative department of the Company) performance relative to the performance of other corporations or based on individual participant Performance Goals.

9.5. ***Payment of Units.*** With respect to each Performance Unit and Performance Share Unit, the Participant shall, if the applicable Performance Goals have been achieved, or partially achieved, as determined by the Committee in its sole discretion, by the Company and/or the Participant during the relevant Performance Period, be entitled to receive payment in an amount equal to the designated value of each Performance Unit and Performance Share Unit times the number of such units so earned. Prior to the vesting, payment, settlement or lapsing of any restrictions with respect to any Performance Unit and Performance Share Unit that is intended to constitute Performance-Based Compensation made to a Participant who is subject to Section 162(m) of the Code, the Committee shall certify in writing that the applicable Performance Goals have been satisfied to the extent necessary for such Award to qualify as Performance-Based Compensation. Payment in settlement of earned Performance Units shall be made in cash as soon as practicable in the calendar year following the conclusion of the respective Performance Period. Payment in settlement of earned Performance Share Units shall be made in unrestricted Common Stock or in Restricted Shares, or any combination thereof, as the Committee in its sole discretion shall determine and provide in the relevant Award Agreement, and in any case as soon as practicable in the calendar year following the conclusion of the respective Performance Period.

9.6. ***Performance-Based Awards.*** Performance Units, Performance Share Units, Restricted Shares, and Restricted Share Units and other Awards subject to performance criteria that are intended to be Performance-Based Compensation shall be paid solely on account of the attainment of one or more pre-established, objective Performance Goals within the meaning of Section 162(m) and the regulations thereunder. Until otherwise determined by the Committee, the Performance Goals shall be the attainment of pre-established levels of (or pre-established changes or improvements in) any of net sales, net income, market price per share, earnings per share, return on equity, return on capital employed, return on invested capital, cash flow, discounted cash flow, cumulative cash flow, operating profit, gross or pre-tax profits, post-tax profits, gross or net margins, consolidated net income, unit sales volume, economic value added, costs or cost reduction initiatives, production, unit production volume, improvements in financial ratings, regulatory compliance, achievement of balance sheet or income statement objectives, market or category share, organizational objectives (including diversity, safety and K-values), productivity initiatives, acquisition integration, total return to shareowners (including both the market value of the Company's stock and dividends thereon) and or any other performance measure the Committee deems appropriate (which may include those measures set forth in Section 9.4). Performance Goals may be in respect of the performance of the Company, any of its Subsidiaries or affiliates or any combination thereof on either a consolidated, business unit or divisional level. Performance Goals may be absolute or relative (to prior performance of the Company or to the performance of one or more other entities or external indices) and may be expressed in terms of a progression within a specified range. The payout of any such Award to a Covered Employee may be reduced, but not increased, based on the degree of attainment of other performance criteria or otherwise at the discretion of the Committee. For purposes of the Plan, ***"Covered Employee"*** has the same meaning as set forth in Section 162(m) of the Code.

9.7. ***Termination of Employment.*** If the Participant ceases to be an employee before the end of any Performance Period due to the Participant's death, Retirement or Disability, such Participant (or the Participant's legal representative or designated beneficiary) shall receive all of the amount which would have been paid to the Participant had the Participant continued as an employee to the end of the Performance Period, payable at the same time as it would otherwise would have been paid in the absence of any such

termination. Unless otherwise determined by the Committee, if a Participant ceases to be an employee for any other reason, any unpaid amounts for outstanding Performance Periods shall be forfeited.

9.8. ***Other Cash-Based Awards.*** The Committee may from time to time grant Other Cash-Based Awards to Participants in such amounts, on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as may be required by applicable law, as it shall determine in its sole discretion. Other Cash-Based Awards may be granted subject to the satisfaction of vesting conditions or may be awarded purely as a bonus and not subject to restrictions or conditions, and if subject to vesting conditions, the Committee may accelerate the vesting of such Awards at any time in its sole discretion, subject to the limitations of the Plan. The grant of an Other Cash-Based Award shall not require a segregation of any of the Company's assets for satisfaction of the Company's payment obligation thereunder. Other Cash-Based Awards granted under the Plan may be granted in a manner intended to be Performance-Based Compensation, and to the extent that any Other Cash-Based Award is granted with such intention, such Award shall be subject to the provisions of Sections 9.4, 9.6 and 9.7, and the certification requirements contained in Section 9.5.

10. **DEFERRAL ELECTIONS/TAX REIMBURSEMENTS*.*** The Committee may permit or require a Participant to elect to defer receipt of any payment of cash or any delivery of shares of Common Stock or other item that would otherwise be due to such Participant by virtue of the exercise, settlement or payment of any Award made under the Plan. If any such election is permitted or required, the Committee may impose any restrictions it deems to be necessary or appropriate with respect to (i) any deferral election made with respect to an Award under the Plan and (ii) the timing of the payment of any deferred amounts, in each case, in order to cause such deferral election and payment timing to comply with the requirements of Section 409A of the Code. The Committee may also provide in the relevant Award Agreement for a tax reimbursement payment to be made by the Company in cash in favor of any Participant in connection with the tax consequences resulting from the grant, exercise, settlement, or payment of any Award made under the Plan.

11. **DIVIDEND AND DIVIDEND EQUIVALENTS*.*** As specified in the relevant Award Agreement, the Committee may provide that Awards (other than Stock Options Stock Appreciation Rights and unvested Performance Share Units) denominated in shares earn dividends or dividend equivalents; provided that dividends or dividend equivalents shall only be paid or accrued on Performance Shares or other Awards subject to performance-based vesting conditions to the extent that such Awards are actually earned. Dividends or any such dividend equivalents may be paid currently in cash or shares of Common Stock or may be credited to an account established by the Committee under the Plan in the name of the Participant. To the extent that such Dividends or dividend equivalents are credited to an account and are not paid currently, such credited amounts shall be paid at such time or times as determined by the Committee and set forth in an Award Agreement consistent with the requirements of Section 409A of the Code. Any crediting of dividends or dividend equivalents may be subject to such restrictions and conditions as the Committee may establish, including reinvestment in additional shares or share equivalents. Any stock dividends paid in respect of unvested Restricted Shares or unvested Restricted Share Units shall be treated as additional Restricted Shares or Restricted Share Units and shall be subject to the same restrictions and other terms and conditions that apply to the unvested Restricted Shares or unvested Restricted Share Units in respect of which such stock dividends are issued.

12. **NON-TRANSFERABILITY OF AWARDS.** Except as provided below, no Award under the Plan or any Award Agreement, and no rights or interests herein or therein, shall or may be assigned, transferred, sold, exchanged, encumbered, pledged, or otherwise hypothecated or disposed of by a Participant or any beneficiary(ies) of any Participant, except by testamentary disposition by the Participant or the laws of intestate succession. No such interest shall be subject to execution, attachment or similar legal process, including, without limitation, seizure for the payment of the Participant's debts, judgments, alimony, or separate maintenance. Except as provided below, during the lifetime of a Participant, Stock Options and Stock Appreciation Rights are exercisable only by the Participant or his or her legal representative. Notwithstanding the foregoing, the Committee may from time to time permit Awards to be transferable to "family members" (within the meaning of the General Instructions to Form S-8) subject to such terms and conditions as the Committee may impose and applicable law; *provided, however,* no Award may be transferred for value (as defined in the General Instructions to Form S-8). Any transfer contrary to this Section 12 will nullify the Award.

13. **CHANGES IN CAPITALIZATION AND OTHER MATTERS.**

13.1. ***No Corporate Action Restriction.*** The existence of the Plan, any Award Agreement and/or the Awards granted hereunder shall not limit, affect or restrict in any way the right or power of the Board or the shareowners of the Company to make or authorize (a) any adjustment, recapitalization, reorganization or other change in the Company's or any Subsidiary's capital structure or its business, (b) any merger, consolidation or change in the ownership of the Company or any Subsidiary, (c) any issue of bonds, debentures, capital, preferred or prior preference stocks ahead of or affecting the Company's or any Subsidiary's capital stock or the rights thereof, (d) any dissolution or liquidation of the Company or any Subsidiary, (e) any sale or transfer of all or any part of the Company's or any Subsidiary's assets or business, or (f) any other corporate act or proceeding by the Company or any Subsidiary. No Participant, beneficiary or any other person shall have any claim against any member of the Board or the Committee, the Company or any Subsidiary, or any employees, officers, shareowners or agents of the Company or any Subsidiary, as a result of any such action.

13.2. ***Recapitalization Adjustments.*** In the event of a dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property) other than regular cash dividends, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, Change in Control or exchange of Common Stock or other securities of the Company, or other corporate transaction or event affects the Common Stock such that an adjustment is necessary or appropriate in order to prevent dilution or enlargement of benefits or potential benefits intended to be made available under the Plan, the Board shall equitably adjust (i) the number of shares of Common Stock or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted, (ii) the maximum share limitation applicable to each type of Award that may be granted to any individual participant in any calendar year, (iii) the number of shares of Common Stock or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards, and (iv) the exercise price with respect to any Stock Option or the Base Value with respect to any Stock Appreciation Right.

13.3. ***Mergers.*** If the Company enters into or is involved in any merger, reorganization, Change in Control or other business combination with any person or entity (a ***"Merger Event"***), the Board may, prior to such Merger Event and effective upon such

Merger Event, take such action as it deems appropriate, including, but not limited to, replacing Awards with substitute Awards in respect of the shares, other securities or other property of the surviving corporation or any affiliate of the surviving corporation on such terms and conditions, as to the number of shares, pricing and otherwise, which shall substantially preserve the value, rights and benefits of any affected Awards granted hereunder as of the date of the consummation of the Merger Event. Notwithstanding anything to the contrary in the Plan, if any Merger Event or Change in Control occurs, the Company shall have the right, but not the obligation, to cancel each Participant's Stock Options and/or Stock Appreciation Rights and to pay to each affected Participant in connection with the cancellation of such Participant's Stock Options and/or Stock Appreciation Rights, an amount equal to the excess (if any) of the Change in Control Price (as defined below), as determined by the Board, of the Common Stock underlying any unexercised Stock Options or Stock Appreciation Rights (whether then exercisable or not) over the aggregate exercise price of such unexercised Stock Options and/or Stock Appreciation Rights, and make additional adjustments and/or settlements of other outstanding Awards as it determines to be fair and equitable to affected Participants.

Upon receipt by any affected Participant of any such substitute Award (or payment) as a result of any such Merger Event, such Participant's affected Awards for which such substitute Awards (or payment) were received shall be thereupon cancelled without the need for obtaining the consent of any such affected Participant.

For purposes of the Plan, ***"Change in Control Price"*** means the highest price per share of Common Stock paid in any transaction related to a Change in Control of the Company or a Merger Event. To the extent that the consideration paid in any such transaction described above consists all or in part of securities or other non-cash consideration, the value of such securities or other non-cash consideration shall be determined in the good-faith discretion of the Board consistent with provisions of Section 409A of the Code and/or other applicable law.

14. **CHANGE IN CONTROL PROVISIONS.**

14.1. ***Impact of Event.*** Notwithstanding any other provision of the Plan to the contrary and unless otherwise determined by the Committee prior to a Change in Control, in the event of a Change in Control, outstanding Awards under the Plan shall be subject to the applicable treatment described in this Section 14.

14.1.1 ***Assumption of Outstanding Awards.*** In the event that outstanding Awards under the Plan are assumed, continued or substituted by the successor to the Company in connection with such Change in Control, such Awards shall be subject to the adjustment provisions of Section 13 and shall otherwise continue in effect with all of the terms and conditions of the Plan and the applicable Award Agreement. In the event that a Participant holding any such assumed, continued or substituted Awards experiences a termination of service with the Company or its successor by the Company or its successor without Cause or by such Participant for Good Reason, in either case, within two (2) years following such Change in Control, such Participant's outstanding Awards shall become fully vested, exercisable and payable (as applicable) as of the date of such termination; *provided, however,* that to the extent any Award constitutes nonqualified deferred compensation, such Award shall not be payable until the date such Award would have been payable in the absence of this Section 14.1.1 if the acceleration of such payment would cause the tax consequences set forth in Section 409A(a)(1) of the Code to apply to such Award.

14.1.2 ***No Assumption of Outstanding Awards.*** In the event that outstanding Awards under the Plan are not assumed, continued or substituted by the successor to the Company in connection with such Change in Control, such Awards shall be subject to the following treatment:

(i) Any Stock Options and Stock Appreciation Rights outstanding as of the date such Change in Control is determined to have occurred, and which are not then exercisable and vested, shall become fully exercisable and vested;

(ii) The restrictions and deferral limitations applicable to any Restricted Shares shall lapse, and such Restricted Shares shall become free of all restrictions and become fully vested and transferable;

(iii) All Performance Units and Other Cash-Based Awards shall be considered to be earned and payable in full, and any deferral or other restrictions shall lapse, and such Performance Units and Other Cash-Based Awards shall be settled in cash (with the value being determined by the Committee, in its sole discretion), and all Restricted Share Units and Performance Share Units shall become fully vested and payable, in each case, as promptly as is practicable on or following the Change in Control; *provided, however,* that in the event that the Change in Control does not constitute a "change in the ownership or effective control," or a "change in the ownership of a substantial portion of the assets," of the Company, in each case within the meaning of Section 409A(a)(2)(A)(v) of the Code, Performance Units, Other Cash-Based Awards, Restricted Share Units and Performance Share Units shall not be payable until the date such Other Cash-Based Awards, Performance Units, Restricted Share Units and Performance Share Units would have been payable in the absence of this Section 14.1.2 if the acceleration of such payment would cause the tax consequences set forth in Section 409A(a)(1) of the Code to apply to such Other Cash-Based Awards, Performance Units, Restricted Share Units and Performance Share Units; and

(iv) The Committee may also make additional adjustments and/or settlements of outstanding Awards as it deems appropriate and consistent with the Plan's purposes (including Section 13.3).

14.2. ***Definition of Change in Control.*** For purposes of the Plan, a ***"Change in Control"*** shall mean the happening of any of the following events:

(i) An acquisition after the date hereof by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "***Person***") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (a) the then outstanding shares of common stock of the Company (the "***Outstanding Company Common Stock***") or (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "***Outstanding Company Voting Securities***"); excluding, however, the following: (1) any acquisition directly from the Company, other than

an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company or approved by the Incumbent Board (as defined below), (2) any increase in beneficial ownership of a Person as a result of any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company, (4) any acquisition by an underwriter temporarily holding Company securities pursuant to an offering of such securities, or (5) any acquisition pursuant to a transaction which complies with clauses (1), (2) and (3) of subsection (iii) of this Section 14.2; or

(ii) A change in the composition of the Board such that the individuals who, as of the Effective Date of the Plan, constitute the Board (such Board shall be hereinafter referred to as the ***"Incumbent Board"***) cease for any reason to constitute at least a majority of the Board; *provided, however,* for purposes of this Section, that any individual who becomes a member of the Board subsequent to the Effective Date of the Plan, whose election, or nomination for election by the Company's shareowners, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso), either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination shall be considered as though such individual were a member of the Incumbent Board; but, *provided further,* that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board; or

(iii) Consummation of a reorganization, merger or consolidation (or similar transaction), a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity; in each case, unless immediately following such transaction (1) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such transaction will beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (2) no Person (other than the Company, any employee benefit plan (or

related trust) of the Company or such corporation resulting from such transaction) will beneficially own, directly or indirectly, 20% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such transaction or the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors, except to the extent that such ownership existed prior to the transaction, and (3) individuals who were members of the Incumbent Board at the time of the Board's approval of the execution of the initial agreement providing for such transaction will constitute at least a majority of the members of the board of directors of the corporation resulting from such transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries); or

(iv) The approval by the shareowners of the Company of a complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, with respect to any Award that is characterized as nonqualified deferred compensation within the meaning of Section 409A of the Code, an event shall not be considered to be a Change in Control under the Plan for purposes of payment of such Award unless such event is also a "change in ownership," a "change in effective control" or a "change in the ownership of a substantial portion of the assets" of the Company within the meaning of Section 409A of the Code.

15. **AMENDMENT, SUSPENSION, AND TERMINATION**.

15.1. ***In General.*** The Board may suspend or terminate the Plan (or any portion thereof) at any time and may amend the Plan at any time and from time to time in such respects as the Board may deem advisable to ensure that any and all Awards conform to or otherwise reflect any change in applicable laws or regulations, or to permit the Company or the Participants to benefit from any change in applicable laws or regulations, or in any other respect the Board may deem to be in the best interests of the Company or any Subsidiary. No such amendment, suspension or termination shall (a) subject to Section 16.6, materially adversely affect the rights of any Participant under any outstanding Awards, without the consent of such Participant, (b) make any change that would disqualify the Plan, or any other plan of the Company or any Subsidiary intended to be so qualified, from the benefits provided under Section 422 of the Code, or any successor provisions thereto, or (c) except as contemplated by Section 13, increase the number of shares available for Awards pursuant to Section 4.2 without shareowner approval. In addition, the Company will obtain shareowner approval of any modification of the Plan or Awards to the extent required by applicable laws or regulations or the regulations of any stock exchange upon which the Common Stock is then listed that purport to (i) materially modify the requirements as to eligibility for participation in the Plan, (ii) allow the repurchase of Stock Options or Stock Appreciation Rights for cash, other types of Awards under the Plan or other property (other than in connection with a Change in Control) or (iii) extend the termination date of the Plan.

15.2. ***No Repricing.*** Except as contemplated by Section 13, the terms of outstanding Awards may not be amended to reduce the exercise price of outstanding Stock Options or the Base Value of outstanding Stock Appreciation Rights or to cancel outstanding

Stock Options or Stock Appreciation Rights in exchange for cash, other Awards or Stock Options or Stock Appreciation Rights with an exercise price or Base Price that is less than the exercise price or Base Price of the original Stock Options or Stock Appreciation Rights without shareowner approval.

15.3. ***Award Agreement Modifications.*** Subject to Section 15.1, the Committee may (in its sole discretion) amend or modify at any time and from time to time the terms and provisions of any outstanding Stock Options, Stock Appreciation Rights, Other Cash-Based Awards, Performance Units, Performance Share Units, Restricted Share Units, or Restricted Share grants, in any manner to the extent that the Committee under the Plan or any Award Agreement could have initially determined the restrictions, terms and provisions of such Stock Options, Stock Appreciation Rights, Other Cash-Based Awards, Performance Units, Performance Share Units, Restricted Share Units and/or Restricted Share grants, including, without limitation, changing or accelerating (a) the date or dates as of which such Stock Options or Stock Appreciation Rights shall become exercisable, (b) the date or dates as of which such Restricted Share grants or Restricted Share Units shall become vested, or (c) the performance period or goals in respect of any Other Cash-Based Awards, Performance Share Units or Performance Units, except to the extent that any such amendment or modification would cause any such Award intended to qualify as Performance-Based Compensation to cease to so qualify. The authority to accelerate the exercisability or vesting or otherwise terminate restrictions relating to an incentive Award may be exercised only in connection with a Participant's death, Disability or Retirement, in connection with a Change in Control, or to the extent such actions involve an aggregate number of shares of Common Stock not in excess of 5 percent of the number of shares available for Incentive Awards. Subject to Section 16.6, no such amendment or modification shall, however, materially adversely affect the rights of any Participant under any such Award without the consent of such Participant. Notwithstanding the foregoing, without the consent of affected Participants, Awards may be amended or revised when necessary to avoid the imposition of additional tax under Section 409A of the Code.

16. **MISCELLANEOUS.**

16.1. ***Tax Withholding.*** The Company shall have the right to deduct from any payment or settlement under the Plan, including, without limitation, the exercise of any Stock Option or Stock Appreciation Right, or the delivery, transfer or vesting of any Common Stock or Restricted Shares, any minimum statutorily required domestic or foreign federal, state, local or other taxes of any kind which the Committee, in its sole discretion, deems necessary to be withheld to comply with the Code and/or any other applicable law, rule or regulation. Shares of Common Stock may be used to satisfy any such tax withholding. Such shares of Common Stock shall be valued based on the Fair Market Value of such shares as of the date the tax withholding is required to be made, such date to be determined by the Committee. In addition, the Company shall have the right to require payment from a Participant to cover any applicable withholding or other employment taxes due upon any payment or settlement under the Plan.

16.2. ***No Right to Employment.*** Neither the adoption of the Plan, the granting of any Award, nor the execution of any Award Agreement, shall confer upon any employee of the Company or any Subsidiary any right to continued employment with the Company or any Subsidiary, as the case may be, nor shall it interfere in any way with the right, if any, of the Company or any Subsidiary to terminate the employment of any employee at any time for any reason.

16.3. ***Unfunded Plan.*** The Plan shall be unfunded and the Company shall not be required to segregate any assets in connection with any Awards under the Plan. Any liability of the Company to any person with respect to any Award under the Plan or any Award Agreement shall be based solely upon the contractual obligations that may be created as a result of the Plan or any such Award Agreement. No such obligation of the Company shall be deemed to be secured by any pledge of, encumbrance on, or other interest in, any property or asset of the Company or any Subsidiary. Nothing contained in the Plan or any Award Agreement shall be construed as creating in respect of any Participant (or beneficiary thereof or any other person) any equity or other interest of any kind in any assets of the Company or any Subsidiary or creating a trust of any kind or a fiduciary relationship of any kind between the Company, any Subsidiary and/or any such Participant, any beneficiary thereof or any other person.

16.4. ***Payments to a Trust.*** The Committee is authorized to cause to be established a trust agreement or several trust agreements or similar arrangements from which the Committee may make payments of amounts due or to become due to any Participants under the Plan.

16.5. ***Other Company Benefit and Compensation Programs.*** Payments and other benefits received by a Participant under an Award made pursuant to the Plan shall not be deemed a part of a Participant's compensation for purposes of the determination of benefits under any other employee welfare or benefit plans or arrangements, if any, provided by the Company or any Subsidiary unless expressly provided in such other plans or arrangements, or except where the Board expressly determines in writing that inclusion of an Award or portion of an Award should be included to accurately reflect competitive compensation practices or to recognize that an Award has been made in lieu of a portion of competitive annual base salary or other cash compensation. Awards under the Plan may be made in addition to, in combination with, or as alternatives to, grants, awards or payments under any other plans or arrangements of the Company or its Subsidiaries. The existence of the Plan notwithstanding, the Company or any Subsidiary may adopt such other compensation plans or programs and additional compensation arrangements as it deems necessary to attract, retain and motivate employees.

16.6. ***Listing, Registration and Other Legal Compliance.*** No Awards or shares of the Common Stock shall be required to be issued or granted under the Plan unless legal counsel for the Company shall be satisfied that such issuance or grant will be in compliance with all applicable securities laws and regulations and any other applicable laws or regulations. The Committee may require, as a condition of any payment or share issuance, that certain agreements, undertakings, representations, certificates, and/or information, as the Committee may deem necessary or advisable, be executed or provided to the Company to assure compliance with all such applicable laws or regulations. Certificates for shares of the Restricted Shares and/or Common Stock delivered under the Plan may be subject to such stock-transfer orders and such other restrictions as the Committee may deem advisable under the rules, regulations, or other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed, and any applicable laws. In addition, if, at any time specified herein (or in any Award Agreement or otherwise) for (a) the making of any Award, or the making of any determination, (b) the issuance or other distribution of Restricted Shares and/or Common Stock, or (c) the payment of amounts to or through a Participant with respect to any Award, any law, rule, regulation or other requirement of any governmental authority or agency shall require either the Company, any Subsidiary or any Participant (or any estate, designated beneficiary or other legal representative thereof) to take any action in connection with any such determination, any

such shares to be issued or distributed, any such payment, or the making of any such determination, as the case may be, shall be deferred until such required action is taken. With respect to Section 16 Officers, transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 promulgated under the Exchange Act. In addition, the Company or Committee may, at the time of grant or thereafter, impose additional or different conditions or take other actions with respect to Awards made to Participants in countries outside of the United States of America, to the extent required or made advisable by applicable laws and regulations.

16.7. ***Award Agreements.*** Each Participant receiving an Award under the Plan shall enter into an Award Agreement with the Company in a form specified by the Committee. Each such Participant shall then agree to the restrictions, terms and conditions of the Award set forth therein and in the Plan. An Award Agreement may provide that, notwithstanding any other provision in this Plan to the contrary, if the Participant breaches provisions in the Award Agreement during or after the Participant's employment, then the Participant will forfeit and/or repay all Awards (whether unvested or vested) and profits realized in connection therewith.

16.8. ***Designation of Beneficiary.*** Each Participant to whom an Award has been made under the Plan may designate a beneficiary or beneficiaries to exercise any Award or to receive any payment which under the terms of the Plan and the relevant Award Agreement may become exercisable or payable on or after the Participant's death. At any time, and from time to time, any such designation may be changed or cancelled by the Participant without the consent of any such beneficiary. Any such designation, change or cancellation must be on a form provided for that purpose by the Committee and shall not be effective until received by the Committee. If no beneficiary has been designated by a deceased Participant, or if the designated beneficiaries have predeceased the Participant, the beneficiary shall be the Participant's estate. If the Participant designates more than one beneficiary, any payments under the Plan to such beneficiaries shall be made in equal shares unless the Participant has expressly designated otherwise, in which case the payments shall be made in the shares designated by the Participant.

16.9. ***Leaves of Absence/Transfers.*** The Committee shall have the power to promulgate rules and regulations and to make determinations, as it deems appropriate, under the Plan in respect of any leave of absence from the Company or any Subsidiary granted to a Participant. Without limiting the generality of the foregoing, the Committee may determine whether any such leave of absence shall be treated as if the Participant has terminated employment with the Company or any such Subsidiary. If a Participant transfers within the Company, or to or from any Subsidiary, such Participant shall not be deemed to have terminated employment as a result of such transfers.

16.10. ***Governing Law.*** The Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to the principles of conflict of laws thereof. Any titles and headings herein are for reference purposes only, and shall in no way limit, define or otherwise affect the meaning, construction or interpretation of any provisions of the Plan.

16.11. ***Effective Date.*** The Plan shall be effective as of February 22, 2013 (the ***"Effective Date"***) subject to approval by the shareowners of the Company. Prior to such shareowner approval, the Committee may grant Awards conditioned on shareowner approval. If such shareowner approval is not obtained at or before the first annual meeting of shareowners to occur after the adoption of the Plan by the Board (including any adjournments or postponements thereof), the Plan and any Awards made thereunder shall

terminate *ab initio* and be of no further force and effect. In no event shall awards be granted under the Plan after February 22, 2023 (or such earlier date that the Plan may be terminated by the Board), but the term and exercise of Awards granted theretofore may extend beyond that date.

16.12. ***Section 409A of the Code.*** The Plan is intended to comply with the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent. To the extent that any Award is subject to Section 409A of the Code, it shall be paid in a manner that will comply with Section 409A of the Code, including the final treasury regulations or any other official guidance issued by the Secretary of the Treasury or the Internal Revenue Service with respect thereto. Notwithstanding any contrary provision in the Plan or any Award Agreement, any payment(s) of nonqualified deferred compensation (within the meaning of Section 409A of the Code) that are otherwise required to be made under the Plan to a "specified employee" (as defined under Section 409A of the Code) as a result of such employee's separation from service (other than a payment that is not subject to Section 409A of the Code) shall be delayed for the first six (6) months following such separation from service (or, if earlier, the date of death of the specified employee) and shall instead be paid (in a manner set forth in the Award Agreement) upon expiration of such delay period. Any provision of the Plan that is inconsistent with Section 409A of the Code shall be deemed to be amended to comply with Section 409A of the Code and to the extent such provision cannot be amended to comply therewith, such provision shall be null and void.

16.13. ***Recoupment of Awards.*** A Participant's rights with respect to any Award hereunder shall in all events be subject to (i) any right that the Company may have under any Company recoupment policy or other agreement or arrangement with a Participant, or (ii) any right or obligation that the Company may have regarding the clawback of "incentive-based compensation" under Section 10D of the Exchange Act and any applicable rules and regulations promulgated thereunder from time to time by the U.S. Securities and Exchange Commission.

KELLOGG COMPANY

EXHIBIT II
KELLOGG UK SHARE INCENTIVE PLAN

DATED 2002

KELLOGG COMPANY

and

CAPITA IRG TRUSTEES LIMITED

TRUST DEED AND RULES

OF

THE KELLOGG COMPANY

INLAND REVENUE APPROVED

SHARE INCENTIVE PLAN

Adopted by the Directors on:

Approved by the Inland Revenue on:

Inland Revenue reference no: A1504/SY

Settled as a deed by Landwell on behalf of PricewaterhouseCoopers

Landwell
St Andrews House
20 St Andrews Street
London
EC4A 3TL

Reference: GWT/LR/SRN

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THIS DEED of TRUST is made on 2002

BETWEEN:

(1) Kellogg Company (incorporated in the State of Delaware) whose registered office is located at No. 100 West Tenth Street in the City of Wilmington, County of New Castle State of Delaware ("the Company");

(2) Capita IRG Trustees Limited (incorporated in England and Wales under company number 2729260) whose registered office is situated at Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU ("the Original Trustee");

(3) Kellogg UK Holding Company Limited (incorporated in England and Wales under company number 3216332) whose registered office is situated at The Kellogg Building, Talbot Road, Manchester M16 0PU;

(4) Kellogg Company of Great Britain Limited (incorporated in England and Wales under company number 199171) whose registered office is situated at The Kellogg Building, Talbot Road, Manchester, M16 0PU;

(5) Kellogg Supply Services (Europe) Limited (incorporated in England and Wales under company number3233413) whose registered office is situated at The Kellogg Building, Talbot Road, Manchester, M16 0PU;

(6) Kellogg Marketing and Sales Company (UK) Limited (incorporated in England and Wales under company number 3237431) whose registered office is situated at The Kellogg Building, Talbot Road, Manchester, M16 0PU;

(7) Kellogg Management Services (Europe) Limited (incorporated in England and Wales under company number 3233144) whose registered office is situated at The Kellogg Building, Talbot Road, Manchester, M16 0PU; and

(8) Portable Foods Manufacturing Company Limited (incorporated in England and Wales under company number 3533251) whose registered office is situated at The Kellogg Building, Talbot Road, Manchester, M16 0PU.

PRELIMINARY:

(A) The Company wishes to establish a share incentive plan, to be known as the Kellogg UK Share Incentive Plan, approved in accordance with the provisions of Schedule 8 and constituting an Employees' Share Scheme.

(B) The Plan was adopted by the Directors on 2002 to provide employees a continued opportunity to purchase Shares.

(C) The Original Trustee has agreed to act as the first trustee of the Plan.

(D) The Original Trustee has received the sum of £50 from the Company as an initial contribution to the trusts established by this Trust Deed.

THE TRUST DEED WITNESSES as follows:

1 INTERPRETATION

In this Trust Deed:

1.1 unless the context otherwise requires the definitions set out in Rule 1.1 of the Schedule shall apply and the following words and expressions shall have the following meanings:

Beneficiary	a bona fide employee or former employee of a Subsidiary;
Charitable	exclusively charitable under English law;
Trust Deed	this trust deed in its present form or as amended from time to time;
Trust Period	the period commencing on the date of this Trust Deed an ending on the expiry of 80 years from the date of this Trust Deed and so that the period of 80 years from the date of this Trust Deed shall be the perpetuity period for the purpose of section 1 of the Perpetuities and Accumulations Act 1964; and
Trustee	the Original Trustee and any additional or replacement trustee from time to time of the Plan.

1.2 Unless otherwise specified, the interpretation provisions of Rule 1.2 of the Schedule shall apply.

1.3 References to clauses are to clauses of this Trust Deed.

2 OBJECT OF TRUST

All Plan Shares held by the Trustee will be held UPON TRUST for the Beneficiaries respectively entitled to them under the Plan subject to the provisions set out below and to the power of the Trustee to transfer or cause to be transferred to the person beneficially entitled to them any Plan Shares in accordance with the Plan.

3 ACHIEVING OBJECT OF TRUST

3.1 Monies received from Participating Companies

Subject to the provisions set out below the Trustee shall apply monies it receives from the Participating Companies in the acquisition of Shares for Appropriation or for the purposes of clause 4.1 and to hold such Shares once Appropriated and all other trust property deriving from such Shares on trust for the Participants to whom such Shares have been Appropriated and to apply and deal with the same in accordance with the Plan provided always that:

3.1.1 the Trustee shall not dispose of a Participant's Free Shares during the Free Shares Holding Period, Matching Shares during the Matching Shares Holding Period or Dividend Shares during the Dividend Shares Holding Period (whether by transfer to the Participant or otherwise) except as provided in the Rules;

3.1.2 the Trustee shall not (subject to the Rules) dispose of any of a Participant's Free Shares after the end of the Free Shares Holding Period, Matching Shares after the end of the Matching Shares Holding Period or Dividend Shares after the end of the Dividend Shares Holding Period except pursuant to a direction validly given by or on behalf of the Participant or any person in whom the beneficial interest in those Shares is for the time being vested;

3.1.3 the Trustee shall deal with any right attaching to Free Shares, Matching Shares or Dividend Shares to be allotted or to acquire other shares, securities or rights of any description only pursuant to a written direction given by or on behalf of the Participant or any person in whom the beneficial interest in such Free Shares, Matching Shares or Dividend Shares is for the time being vested.

3.2 Purchased Share Monies

Subject to the provisions set out below the Trustee shall apply Purchased Share Money in the acquisition of Purchased Shares and shall hold such shares once acquired on trust for the Participants on whose respective behalves they have been acquired and apply and deal with the same in accordance with the Plan provided always that:

3.2.1 the Trustee shall not (subject to the Rules) dispose of a Participant's Purchased Shares (whether by transfer to the Participant or otherwise) except pursuant to a direction validly given by or on behalf of the Participant or any person in whom the beneficial interest in those Purchased Shares is for the time being vested;

3.2.2 the Trustee shall deal with any right attaching to Purchased Shares to acquire other shares securities or rights of any description only pursuant to a written direction) given by or on behalf of the Participant or any person in whom the beneficial interest in the Purchased Shares is for the time being vested.

4 UNUSED FUNDS

4.1 Trustee to apply unused funds for costs etc

Where pursuant to the Plan the Trustee holds any monies, shares, securities or other assets which represent or represent income derived from:

4.1.1 any monies or assets received from the Participating Companies for the purposes of the Plan but which have not been applied and which are not required to be applied under the Plan in an Appropriation; or

4.1.2 any Capital Receipt of less than £3 which would be distributable to a Participant save for the provisions concerning such sums in the Rules; and

4.1.3 any assets relating to the Plan (including any amounts specifically paid to the Trustee as a contribution to any costs, charges and expenses incurred in connection with the establishment and operation of the Plan) which are not held for the benefit of a Participant in consequence of an Appropriation to him or any acquisition of Purchased Shares by him and which are not required to be applied under the Plan

then the Trustee may apply such assets or the sale proceeds in or towards any reasonable costs, charges and expenses of the Plan and may during the Trust Period and subject to the law relating to accumulations accumulate any income thereon and hold the same for the general purposes of the Plan. The Trustee shall notify the Company on request of all amounts and assets held for such purposes.

4.2 Trustee to account for monies upon termination of Plan

If at any time the Plan is terminated the Trustee shall account to the Participating Companies for any unused monies then held on the trusts of clause 4.1. Notwithstanding such termination the Trustee shall continue to administer the Plan in accordance with the Trust Deed and the Rules. At the earlier of the expiry of the Trust Period and the third anniversary of the termination of the Plan the Trustee shall convert into money any trust property held subject to the trusts of the Plan declared in the Trust Deed and which are not either Purchased Shares, or Dividend Shares nor Appropriated to Participants and shall pay such money to such one or more Charitable organisations and if more than one in such proportions as the Trustee shall, in its absolute discretion determine. The receipt of the proper officer

of the recipient Charitable organisation shall be a valid discharge of the Trustee for the benefit received by it.

5 RIGHT TO DEAL WITH RECONSTRUCTIONS, ETC

5.1 Trustee to act on Participant's directions

The Trustee may at any time on behalf of any Participant who has given a direction to the Trustee under the Rules (but not otherwise) enter into any compromise or arrangement with respect to or may release or forbear to exercise all or any of its rights as shareholder whether in connection with a scheme of reconstruction or amalgamation or otherwise and may accept in or towards satisfaction of all or any of such rights such consideration as such Participant shall direct whether in the form of cash, stock, shares, debentures, debenture stock or obligations or securities without the Trustee being in any way liable or responsible for any loss resulting from complying with any such direction or any liability or increased liability of such Participant to tax or in respect of any inadequacy or alleged inadequacy in the nature or amount of such consideration.

5.2 Trustee to use reasonable endeavours to obtain directions

The Trustee shall use reasonable endeavours to ensure that the directions of Participants are obtained in respect of any matters affecting the rights of holders of Plan Shares.

5.3 No liability for acting on directions

The Trustee shall not be liable or responsible for any loss or any liability or increased liability of a Participant to tax arising out of the failure of such Participant to give a direction to the Trustee or the failure of such Participant to give a direction to the Trustee within a particular time or if the Participant has directed the Trustee to use its discretion in any way arising out of the bona fide exercise by the Trustee of that discretion.

6 ACCOUNTABILITY FOR PAYE AND OTHER DEDUCTIONS

The Company, any Participating Company or the Trustee may account to the Inland Revenue or other authority concerned for any amounts deducted from payments made, or assets transferred, pursuant to the Plan in respect of income tax or any other deductions required by statute or regulations made thereunder.

7 MAINTENANCE OF TRUST RECORDS

7.1 Trustee to procure preparation of Trust records

The Trustee shall maintain all necessary accounts (including the accounts of individual employees) records and other documents necessary to carry out its obligations in connection with:

7.1.1 the proper administration of the Plan; and

7.1.2 the PAYE obligations of the employer company (as that expression is defined in paragraph 95 of Schedule 8) so far as they relate to the Plan.

7.2 Duty to keep records of PAYE deductions

The Trustee shall keep records of all PAYE deductions, including payments to the Participating Companies in respect of PAYE obligations.

7.3 Trustee to submit Trust records to Company or any other Participating Company

The Trustee shall submit to the Company or any other Participating Company such reports or other information as it may reasonably require for the purpose of ensuring that the Plan is properly administered and without prejudice to the generality of the foregoing the Trustee shall submit to the Company or any other Participating Company copies of all documents including the annual returns which have been supplied to the Board of Inland Revenue within twenty-one days of their being so supplied.

7.4 Company's and any other Participating Company's right to inspect Trust records

The Company and any other Participating Company shall at all times be entitled on service of 3 days written notice or as otherwise agreed between the Company or any other Participating Company respectively and the Trustee to inspect all accounts, documents and records maintained by the Trustee for the purposes of the Plan and may at any time and at its absolute discretion audit or cause to be audited those accounts, documents and records.

8 SECURITIES AND TITLE

8.1 Securities may be placed in custody

The Trustee may place the documents of title for the time being in its possession in any bank or safe deposit and shall not be responsible for any losses incurred by so doing.

8.2 More than one Trustee may be registered proprietor

At any time when there is more than one Trustee, the Trustee shall be entitled to procure that any one or more of them may be registered as proprietor of any property held by them upon the trusts of the Trust Deed.

9 APPLICATION OF PLAN TO SUBSIDIARIES

9.1 Extension of Plan to Subsidiaries

The Plan may with the consent of the Company be extended to any Subsidiary by a deed of adherence in a form approved by the UK Plan Manager executed by that Subsidiary and the Company.

9.2 Circumstances where Plan may cease to apply to Subsidiary

The Plan shall cease to extend to a Participating Company when:

9.2.1 such Participating Company ceases to be a Subsidiary; or

9.2.2 a notice is served by the Company upon the Trustee and the Participating Company that the Plan shall cease to apply to that Participating Company; or

9.2.3 a Participating Company withdraws from the Plan on such conditions as may be agreed by the Company

but such cessation shall not affect the subsisting rights of Beneficiaries under the Plan which have arisen under the Plan prior to such cessation.

9.3 Trustee not liable to account to former Participating Companies

Where the Plan ceases to extend to a Participating Company in accordance with clause 9.2 then the Trustee shall not be liable to account to such Participating Company for any unused monies then held on the trusts of clause 4.1.

10 DUTIES OF PARTICIPATING COMPANIES

10.1 **Duty to contribute sums and provide information**

If and so long as any company is a Participating Company it shall:

10.1.1 contribute and pay to the Trustee such sums as are required by the Trustee to purchase or subscribe for Shares to be Appropriated to Participants of that Participating Company together with a fair proportion of the sums required to meet:

10.1.1.1 the reasonable expenses of the Trustee in operating and administering the Plan; and

10.1.1.2 any remuneration payable to the Trustee

to the extent that such expenses and remuneration cannot be met out of such of the assets held by the Trustee as are applicable for that purpose

10.1.2 provide the Trustee with all information reasonably required from it for the purposes of the administration and operation of the Plan in such form as the Trustee may reasonably require.

10.2 **Continuing liability of former Participating Companies**

Any company that ceases to be a Participating Company shall remain liable to meet its fair proportion of the expenses of the Trustee.

11 PROTECTION OF THE TRUSTEE

11.1 **Limited liability for monetary obligations**

The Trustee shall not be liable to satisfy any monetary obligations under the Plan (including but without prejudice to the generality of the foregoing any monetary obligations to Eligible Employees) beyond the sums of money (including income) from time to time in its hands or under its control as Trustee of the Plan and properly applicable for that purpose.

11.2 **Trustee to comply with Company's directions**

The Trustee shall comply with any directions given by the Company (including for the avoidance of doubt any person to whom any delegation under clause 18.1 has been made) under the Rules and shall not be under any liability in respect of such compliance to the Company (or such other person under clause 18.1) or to any Eligible Employee.

11.3 Indemnity

Subject to any agreement to the contrary between the Company or any Participating Company and the Trustee, the Company, shall pay to or reimburse the Trustee all expenses properly incurred by it in connection with the Trust and shall fully indemnify the Trustee against all actions, claims, losses, demands, proceedings, charges, expenses, costs, damages, taxes, duties and other liabilities incurred by it in connection with the Trust or in connection with the proper administration and operation of the Plan provided that a Trustee shall not be paid, reimbursed or indemnified in respect of:

11.3.1 any sum which can under clause 4.1 be recovered by the Trustee either out of the assets held subject to the Plan or from other Participating Companies; and

11.3.2 any fraud, wilful misconduct, or in the case of a Trustee receiving remuneration for acting as a Trustee, negligence by it or any of its officers or employees.

In addition, the Trustee shall have the benefit of all indemnities conferred on trustees by the Trustee Act 1925 and generally by law.

11.4 No obligation to become involved in management

The Trustee shall not be under any obligation to:

11.4.1 become a director or other officer, or interfere in the management or affairs, of any company, any of the shares, debentures, debenture stock or securities which are held on the trusts created by the Trust Deed or of any company associated with any such company, notwithstanding that the Trustee may have (whether directly or indirectly) a substantial holding in, or control of, any such company; or

11.4.2 seek information about the affairs of any such company but may leave the conduct of the affairs of any such company to its directors, officers or other persons managing the company provided the Trustee has no actual notice of any act of dishonesty on the part of such persons in connection with the management of the company.

12 ADDITIONAL POWERS

12.1 Additional powers of the Trustee

In addition and without prejudice to the powers vested in it by the other provisions of the Trust Deed and by law, the Trustee shall have the following powers and discretions:

12.1.1 to agree with the Company (or, as appropriate, such other person to whom powers are delegated under clause 18.1) all matters relating to the operation and administration of the trusts created by the Trust Deed and so that no person claiming an interest under the Trust shall be entitled to question the legality or correctness of any arrangement or agreement made between the Company (or, as appropriate, such other person to whom powers are delegated under clause 18.1) and the Trustee in relation to such operation and administration;

12.1.2 from time to time in writing to authorise such other person or persons whether or not a Trustee, as the Trustee shall think fit to draw and endorse cheques and to give receipts and discharges for any monies or other property payable transferable or deliverable to the Trustee and every such receipt or discharge shall be as valid and effectual as if such receipt or discharge was given by the Trustee and the production of such written authority of the Trustee shall be a sufficient protection to any person taking any such receipt or discharge and (unless that person shall have received express notice in writing of the revocation of the authority) he shall be entitled to assume and act upon the assumption that the authority remains unrevoked;

12.1.3 at any time, to borrow or raise money only for the purpose of subscribing for or purchasing Shares or any other purpose for which money may be applied under the Trust Deed. Any loan made by a Participating Company to the Trustee shall be on such terms as the Participating Company and the Trustee agree;

12.1.4 to make any payment to any Beneficiary into the Beneficiary's bank account and the Trustee shall be discharged from obtaining a receipt or seeing the application of any such payment; and

12.1.5 to pay any amount, whether income or capital, intended to be paid to, or applied for the benefit generally of, any minor to his or her parent or guardian, whose receipt shall be a valid discharge of the Trustee.

12.2 Trustee's power to invest monies etc

Subject to any provision to the contrary in the Rules the Trustee shall in respect of monies or other assets not held on trust for a Participant have the same full and unrestricted powers of investing and transposing investments and laying out monies in all respects as if it were absolutely entitled to them beneficially and without regard to any requirement as to diversification.

12.3 Trustee's power of sale

Subject to any provision to the contrary in the Rules the Trustee shall in respect of any assets not held on trust for a Participant have all the powers of sale of a beneficial owner in respect of such assets.

13 PROCEEDINGS OF TRUSTEES

13.1 Scope of clause

Unless a corporate trustee is the sole Trustee, the following provisions of this clause 13 shall govern the proceedings of the Trustees.

13.2 Regulations for conduct of business

The Trustees shall meet together and, subject to the following provisions of this clause 13, make such regulations for the conduct of their business as they determine.

13.3 Quorum for meetings of Trustees

The quorum for any meeting of the Trustees shall be two. A meeting of the Trustees at which a quorum is present shall be competent to exercise all the powers and discretions exercisable by the Trustees generally.

13.4 Majority voting of Trustees

At any meeting of the Trustees, all questions shall be decided by a majority of the votes of the Trustees present and voting thereon. In the event of an equality of votes, the chairman of the meeting, if any, shall have a second or casting vote. In the event of an equality of votes on the election of a chairman at any meeting, the chairman shall be chosen by lot.

13.5 Written resolutions of Trustees

A resolution in writing signed by all the Trustees shall be as valid and effective as if it had been passed at a meeting of the Trustees and the same may consist of two or more documents in similar form each signed by one or more of the Trustees.

14 ADMINISTRATION

14.1 Delegation

Where there is more than one Trustee, the Trustees may from time to time delegate any business to any one or more of their number.

14.2 Trustee being a company

A Trustee which is a company may in its capacity as a Trustee act by its officers and may by such officers have and exercise all powers trusts and discretions vested in it under the Trust Deed.

14.3 Minutes of meetings

The Trustee shall cause proper minutes to be kept and entered in a book provided for the purpose of all its resolutions and proceedings and any such minutes of any meeting of the Trustee, if purported to be signed by the chairman of such meeting or by the chairman of a subsequent meeting, shall be admissible as prima facie evidence of the matters stated in such minutes.

14.4 Professional advice

The Trustee may employ and act on the advice or opinion of any solicitor, accountant, or other person engaged in any profession or business whether such advice was obtained by the Trustee or by the Company or any other Participating Company (or as appropriate by such other person to whom powers are delegated under clause 18.1). The Trustee shall not be responsible for any loss occasioned by its acting on that advice.

14.5 Trustee’s agents

The Trustee may employ on such terms as the Company or any other Participating Company may agree as to remuneration any agent to transact any business in connection with the Plan and the Trustee shall not be liable for any loss arising by reason of the fraud or negligence of such agent.

14.6 Trustee may execute deeds etc

The Trustee may execute or authorise the execution or delivery by any agent of it of any trust, deeds, documents or other instruments by the impression of the Trustees' signatures (where there is more than one Trustee) or (in the case of a sole corporate trustee) by the signature of two or more officers of the corporate trustee, in writing, printing, lithograph, photocopying and other modes of representing or reproducing words in a visible form and may authorise the delivery of such instruments on its behalf.

15 REMUNERATION AND INTERESTS OF THE TRUSTEES

15.1 Individual Trustees

Any individual Trustee shall be entitled to receive and retain as remuneration for his services under the Trust Deed such sum or sums as a Participating Company may from time to time resolve to pay to him notwithstanding that he is also an officer or employee of a Participating Company and he shall not be disqualified from voting or taking part in any decision of the Trustees on any matter by virtue of any personal or beneficial interest (actual or prospective) therein.

15.2 Professional Trustees

Any Trustee who is a solicitor, accountant, or other person engaged in any profession or business shall be entitled to charge and be paid all normal and other charges for business transacted, services rendered or time spent personally or by the Trustee's firm in connection with the Plan, including acts which a Trustee not engaged in any profession or business could have done personally.

15.3 Corporate Trustees

Any Trustee which is a company shall be entitled to charge and be paid such reasonable remuneration or charges as shall from time to time be agreed in writing between the Company (or, as appropriate, such other person, to whom powers are delegated, under clause 18.1) and such company and any such company (being a bank) shall be entitled subject to the written consent of the Company (or, as appropriate, such other person, to whom powers are delegated, under clause 18.1) , to act as banker and perform any services in relation to the Plan on the same terms as would be made with a customer in the ordinary course of its business as a banker without accounting for any resultant profit including without prejudice to the generality of the foregoing retention of its customary share of brokerage commission.

15.4 **Right to be employed by Company or Subsidiary**

Any Trustee or officer of a corporate trustee may be employed by, or be appointed an officer of, the Company or any Subsidiary and shall be entitled to keep for his benefit such remuneration as he may receive by virtue of such position and shall not be liable to account for any such benefit.

16 PERMITTED DEALINGS OF TRUSTEES

16.1 **Trustee permitted to hold shares etc**

No Trustee (nor any director or other officer of a company acting as a Trustee) shall be precluded from acquiring, holding or dealing with any shares, debentures, debenture stock or securities of the Company or any other Participating Company or any other company in which the Trustee may be interested or from entering into any contract or other transaction with the Company or any other Participating Company or any such other company or being interested in any such contract or transaction. No Trustee (nor any director or other officer of a company acting as a Trustee) shall be liable to account to any Beneficiary, Eligible Employee or Participant or, where there is more than one Trustee, to the other Trustees or the Company or any other Participating Company or such other company for any profits so made or benefits so obtained by him.

16.2 **No requirement to account for benefits**

The Trustee (and any director or other officer of a company acting as a Trustee) who is or becomes a Beneficiary may retain all benefits to which he becomes entitled under the Plan and shall not be liable to account for any such benefit.

17 NUMBER, APPOINTMENT, RETIREMENT AND REMOVAL OF TRUSTEES

17.1 **Minimum number of Trustees**

The minimum number of Trustees shall be:

17.1.1 in the case of a Trustee which is a company (whether or not a trust corporation), one; and

17.1.2 in any other case, three.

17.1.3 while the number of Trustees is below the minimum number, a continuing Trustee shall not be entitled to exercise any power or discretion under the Trust Deed.

17.1.4 if, after the removal, retirement or death of a Trustee, there are fewer than the minimum number of Trustees required by clause 17.1.2, the Company shall forthwith appoint a new Trustee in place of the removed retiring or dead Trustee.

17.2 **Statutory power to appoint new and additional Trustees**

The statutory power of appointing new and additional Trustees contained in section 36 of the Trustee Act 1925 shall be vested in the Company and may be exercised by a resolution of the Directors or in writing signed by a person duly authorised by a resolution of the Directors.

17.3 **Power to appoint additional Trustees**

In addition to the statutory power of appointing new and additional Trustees, the Company shall have the power by a resolution of the Directors or in writing signed by a person duly authorised by a resolution of the Directors to appoint additional Trustees notwithstanding that the effect of such appointment would be to increase the number of Trustees beyond four.

17.4 **Company ceasing to exist**

If the Company ceases to exist otherwise than in consequence of a reconstruction or amalgamation, all powers of appointing and removing Trustees shall become vested in the Trustee.

17.5 **Removal of Trustees**

The Company may by a resolution of the Directors or in writing signed by a person duly authorised by a resolution of the Directors, notice of which, in either case, is given to the Trustee, and without assigning any reason therefor, remove a Trustee from office, but not so as to reduce the number of Trustees below that specified in clause 17.1. If no later date is specified in the notice, such removal shall take place immediately on the receipt of the notice by the Trustee. If a later date is specified in the notice, such removal shall take place on the later of the receipt of the notice by the Trustee and the date specified in the notice.

17.6 **Retirement of Trustees**

A Trustee may retire by giving the Company written notice of his desire to retire but not so as to reduce the number of Trustees below that specified in clause 17.1.

If the requirements of clause 17.1 will continue to be satisfied such notice shall take effect at the expiry of three months or such other period as may be agreed in writing by the Company after the date of such notice.

If the requirements of clause 17.1 will not continue to be satisfied, the Company shall, within three months after the giving of such notice, appoint an additional Trustee. If the Company fails to do so within such period, the retiring Trustee may by deed appoint an additional Trustee and his retirement shall thereupon become effective.

17.7 **Transfer of trust property following removal or retirement**

Forthwith following his removal or retirement as a Trustee, the outgoing Trustee shall transfer all property held by him subject to the Plan and deliver all documents in his possession relating to the Plan to the remaining Trustees and shall execute all such documents and do all such things as may be necessary to give effect to his removal or retirement.

17.8 **Section 37 of the Trustee Act 1925**

Section 37(1)(c) of the Trustee Act 1925 shall apply to the Plan as if all references in that section to a trust corporation were references to any company authorised by its memorandum and articles to undertake trust business.

17.9 **Residence of Trustees**

The Company shall ensure that all the Trustees or any sole Trustee which is a company shall at all times be resident for tax purposes in the United Kingdom.

18 DELEGATION OF ADMINISTRATION BY THE COMPANY AND OTHER MATTERS

18.1 **Delegation of Administration**

The Company or the Directors may at any time delegate in writing to the directors of any other Participating Company or to any Participating Company's duly authorised officers any of its powers and duties under the Trust Deed or any business including the exercise of any discretion provided always that the Company shall not delegate the duties imposed on it or the rights given to it under clauses 9.1, 11.3, 17.2, 17.3, 17.5 or 22.

18.2 **Exercise of powers**

Except as otherwise provided in the Trust Deed or in the Rules the powers and discretions exercisable by any Participating Company in relation to the Plan shall be exercisable in the case of the Company by the Directors and otherwise by resolution of the directors of such Participating Company or by a duly authorised committee thereof and a copy of any resolution signed or purporting to be signed

by the secretary or any director of such company shall be sufficient authority to the Trustee to act thereunder.

18.3 **Information supplied by Participating Company**

The Trustee shall be entitled, in the absence of manifest error, to rely without further enquiry on any information or advice supplied to them by any Participating Company in connection with the trust created by the Trust Deed.

19 DURATION AND WINDING UP OF THE PLAN

19.1 **Termination on expiry of the Trust Period**

The Plan shall terminate on the earlier of:

19.1.1 the expiry of the Trust Period; and

19.1.2 a plan termination notice validly issued under Rule 33 of the Plan

and references throughout the Trust Deed to a termination of the Plan shall be taken to be a termination as herein provided.

19.2 **Outstanding liabilities**

On or after the termination of the Plan no further sums shall be paid to the Trustee by the Participating Companies save that all Participating Companies shall remain liable to pay their just proportion of the costs charges and expenses of the Plan.

19.3 **Completion of obligations**

Following any termination of the Plan the Trustee shall remain responsible for the completion of its obligations under the Plan.

20 SUPREMACY OF TRUST DEED OVER RULES OF PLAN

The Trustee's rights duties and powers are regulated by the Trust Deed and by the Rules and in the case of inconsistency or conflict between the provisions of the Trust Deed and of the Rules the provisions of the Trust Deed shall prevail.

21 GOVERNING LAW AND JURISDICTION

21.1 Governing Law

The formation, existence, construction, performance, validity and all aspects whatsoever of the Trust Deed and the Rules or any term of the Trust Deed or any Rules shall be governed by English law.

21.2 Jurisdiction

Subject to 21.3 below, the English courts shall have exclusive jurisdiction to settle any dispute which may arise out of, or in connection with, the Trust Deed or the Rules.

21.3 Jurisdiction agreement for benefit of Company

The Company retains the right to bring proceedings in the English courts or any other court of competent jurisdiction.

21.4 Participant deemed to submit to such jurisdiction

By accepting an Award and not renouncing it, a Participant is deemed to have agreed to submit to such jurisdiction.

22 AMENDMENT OF TRUST DEED AND RULES

22.1 Amendment of Deed and Rules

The Company may at any time and from time to time in the case of the Trust Deed by a supplemental deed and in the case of the Rules by resolution of the Directors amend, modify, or alter the Plan in any respect (such amendment modification or alteration being referred to in this clause 22.1 as a "modification") provided that:

22.1.1 no modification shall alter to the disadvantage of any Participant his rights which have accrued to him under the Plan before the date of such modification;

22.1.2 no modification shall modify or alter to the disadvantage of the Trustee the provisions for its protection and indemnity contained in the Plan without the written agreement of the Trustee;

22.1.3 no modification shall be made which would or might infringe any rule against perpetuities or which could result in the Plan ceasing to be an Employees' Share Scheme; and

22.1.4 whilst the Plan is approved by the Board of Inland Revenue, no modification to any key feature (as defined in paragraph 118(3)(a) of Schedule 8) of the Plan shall take effect without the approval of the Board of Inland Revenue.

22.2 Amendments to be binding

Any modification made in accordance with the provisions of this clause 22 shall be binding upon all persons from time to time interested in the Plan including the Company and any other Participating Company.

23 GENERAL PROVISIONS

23.1 Counterparts

The Trust Deed may be executed in any number of counterparts, and by the parties on separate counterparts, each of which when so executed and delivered shall be an original, but all the counterparts will together constitute one and the same Trust Deed.

23.2 Irrevocability

Subject to the provisions of the Trust Deed, the trusts hereby declared are irrevocable.

EXECUTED by the parties as a deed and delivered on the date first mentioned above.

SIGNED as a deed by
Kellogg Company
acting by its authorised signatory

SIGNED as a deed by
Capita IRG Trustees Limited
acting by a director and its secretary/ two directors:

Director

Director/Secretary

SIGNED as a deed by
Kellogg UK Holding Company Limited
acting by a director and its secretary/ two directors:

Director

Director/Secretary

SIGNED as a deed by
Kellogg Company of Great Britain Limited
acting by a director and its secretary/ two directors:

Director

Director/Secretary

SIGNED as a deed by
Kellogg Supply Services (Europe) Limited
acting by a director and its secretary/ two directors:

Director

Director/Secretary

SIGNED as a deed by
Kellogg Marketing and Sales Company (UK) Limited
acting by a director and its secretary/ two directors:

Director

Director/Secretary

SIGNED as a deed by
Kellogg Management Services (Europe) Limited
acting by a director and its secretary/ two directors:

Director

Director/Secretary

SIGNED as a deed by
Portable Foods Manufacturing Company Limited
acting by a director and its secretary/ two directors:

Director

Director/Secretary

SCHEDULE

RULES OF THE KELLOGG COMPANY INLAND REVENUE APPROVED SHARE INCENTIVE PLAN

1 INTERPRETATION

1.1 In this Schedule, unless the context otherwise requires, the following words and expressions have the following meanings:

Accounting Period — an accounting reference period of the Company within the meaning of section 224 of the Companies Act 1985 or a new accounting reference period of the Company within the meaning of section 225 of the Companies Act 1985;

Accumulation Period — a period determined at the discretion of the UK Plan Manager, not exceeding 12 months which must be the same for all Participants;

Appropriate — to confer a beneficial interest in Free Shares or Matching Shares on a Participant, subject to the provisions of the Plan, and the expressions "Appropriation" and "Appropriated" shall be construed accordingly;

Associate — the meaning set out in paragraphs 20, 21 and 22 of Schedule 8;

Associated Company — in relation to two companies if:

(a) one company has Control of the other;

(b) both are under the Control of the same person or persons;

Award — the award to Participants of any one or more of Free Shares, Purchased Shares or Matching Shares in accordance with the Plan;

Capital Receipt — a receipt by the Trustee of money or money's worth of the type defined in paragraph 79 of Schedule 8;

Close Company	the meaning set out in section 414 ICTA 1988;
Company	Kellogg Company incorporated in the State of Delaware whose registered office is situated at No. 100 West Tenth Street in the City of Wilmington, County of New Castle, State of Delaware;
Connected Company	(a) a company which Controls or is Controlled by the Company or which is controlled by a company which also Controls the Company; (b) a company which is a member of a consortium owning the Company or which is owned in part by the Company as a member of the consortium;
Control	the meaning set out in section 840 ICTA 1988;
Directors	(a) the board of directors of the Company or a duly authorised committee thereof; or (b) some other duly authorised person;
Dividend Shares	Shares acquired with dividends paid in respect of Plan Shares as set out in Part IV;
Dividend Shares Appropriation Date	the date on which the Trustee acquires Dividend Shares pursuant to Rule 19.4;
Dividend Shares Holding Period	the period beginning on the Dividend Shares Appropriation Date and ending on the earlier of the third anniversary of that date and the date on which the Participant ceases to have any Relevant Employment;
Eligible Employee	an individual who in the case of Free Shares at a Free Shares Appropriation Date, and in

the case of Purchased Shares or Matching Shares:

(a) if there is no Accumulation Period, at the time the money for the acquisition of such Purchased Shares is deducted; and

(b) if there is an Accumulation Period, at the time of the first deduction of money for the acquisition of such Purchased Shares:

(i) is an employee of a Participating Company; and

(ii) has been such an employee (or has otherwise been an employee of a Qualifying Company) at all times during any Qualifying Period; and

(iii) is chargeable to tax in respect of his office or employment with a Participating Company under Case I of Schedule E; and

(iv) has not either himself or through any Associate and whether in either case alone or together with one or more Associates has not had within the preceding twelve months, a Material Interest in a Close Company whose shares may be Appropriated or acquired under the Plan or a company which has Control of such a company or is a member of a consortium which owns such a company; and

(v) has not, in the same Year of Assessment participated in a

share incentive plan approved under Schedule 8 (other than the Plan) established by the Company or a Connected Company (which for the avoidance of doubt shall include where an employee would have participated but for his failure to obtain a Performance Allowance) or, in relation to an Award of Free Shares has not in the same Year of Assessment participated in a profit sharing scheme approved under Schedule 9 to ICTA 1988 established by the Company or a Connected Company;

or an individual who at the relevant time satisfies the requirements above, excluding (iii), whom the UK Plan Manager has, in its absolute discretion determined should be included;

Employees' Share Scheme — the meaning set out in section 743 of the Companies Act 1985;

Forfeiture Period — the period(s) determined by the UK Plan Manager pursuant to Rules 4.3.7, 15.2.5 or 15.2.6, as appropriate, provided that the period(s) shall not exceed 3 years from the relevant date of Appropriation;

Free Shares — Shares entitlement to which is as set out in Part I;

Free Shares Agreement — an agreement issued by the UK Plan Manager under Rule 4;

Free Shares Appropriation Date — the date on which the Trustee Appropriates an Award of Free Share;

Free Shares Closing Date	the date specified in the Free Shares Invitation by which the Free Shares Agreement must be received by the UK Plan Manager;
Free Shares Holding Period	the period beginning on the Free Shares Appropriation Date and ending on a date determined from time to time at the discretion of the UK Plan Manager, and being not earlier than the third anniversary nor later than the fifth anniversary of the Free Shares Appropriation Date or, if earlier, the date on which the Participant ceases to be in Relevant Employment and which period shall be the same for all Free Shares comprised in the same Award and shall not be increased at any time in respect of Free Shares already Appropriated;
Free Shares Invitation	an invitation to participate in an offer for Free Shares issued by the UK Plan Manager under Rule 4;
ICTA 1988	the Income and Corporation Taxes Act 1988;
Initial Market Value	the Market Value of a Share: (i) in the case of Free Shares, on the Free Shares Appropriation Date; (ii) in the case of Matching Shares, on the Matching Shares Appropriation Date; and (iii) in the case of Dividend Shares, on the Dividend Shares Appropriation Date;
Market Value	(a) where the Shares are listed on the New York Stock Exchange: (i) if the Trustees acquire all of the Shares from a purchase made on that market and Appropriate all of the Shares on the date on which they were purchased, the average of the prices at which the

Trustees acquire the Shares on that purchase date; or;;

(ii) if the Trustees acquire the Shares from a purchase made on that market and Appropriate the Shares on a date other than the date on which the Shares were purchased, the closing price of a Share (as derived from the Financial Times) for the dealing day immediately preceding the day in question;

(b) where the shares are not listed on the New York Stock Exchange, the market value of a Share as determined in accordance with the provisions of Part VIII of the Taxation of Chargeable Gains Act 1992 and paragraph 125 of Schedule 8 and agreed for the purposes of the Plan with Inland Revenue Shares Valuation on or before that day;

Matching Shares Shares entitlement to which is as set out in Part III which shall:

(a) be shares of the same class and carry the same rights as the Purchased Shares to which they relate;

(b) be Appropriated on the same day as the Purchased Shares to which they relate are acquired; and

(c) be Appropriated to all Participants on exactly the same basis;

Matching Shares Appropriation Date the date on which the Trustee Appropriates an Award of Matching Shares;

Matching Shares Holding Period the period beginning on the Matching Shares Appropriation Date and ending on a date determined from time to time at the discretion of the UK Plan Manager, and being not earlier than the third anniversary nor later than the fifth anniversary of the Matching Shares

Appropriation Date or, if earlier, the date on which the Participant ceases to be in Relevant Employment, and which period shall be the same for all Matching Shares comprised in the same Award and shall not be increased at any time in respect of Matching Shares already Appropriated;

Material Interest	the meaning set out in paragraphs 15, 17, 18 and 19 of Schedule 8;
New York Stock Exchange	the New York Stock Exchange or any successor body;
Offer	a general offer which is made to holders of shares of the same class as Plan Shares or of other shares in the Company and in either case which is made on condition that if satisfied the person making the offer will have Control of the Company;
Participant	an Eligible Employee to whom the Trustee has made an Appropriation or on whose behalf Purchased Shares or Dividend Shares have been acquired or, where the context permits, an Eligible Employee who has submitted a duly completed Free Shares Agreement or Purchased Shares Agreement in accordance with Rule 4.3.5 or 10.3.5 respectively;
Participating Company	a Subsidiary which is a party to the Trust Deed or has pursuant to clause 9 executed a deed of adherence;
Performance Allowance	an Appropriation of Free Shares where: (a) whether or not Free Shares are Appropriated; and/or (b) the number or value of Free Shares Appropriated

is subject to the satisfaction of a Performance Target;

Performance Target	a performance target imposed by the UK Plan Manager under Rule 6;
Performance Unit	a group comprising one or more Participants to whom a Performance Target applies;
Plan	the Kellogg Company Inland Revenue Approved Share Incentive Plan as constituted by this Trust Deed and Rules in their present form or as amended from time to time and known as the Kellogg UK Share Incentive Plan;
Plan Shares	Free Shares, Purchased Shares, Matching Shares and Dividend Shares which have been Appropriated to a Participant or are held on his behalf by the Trustees;
Purchased Shares	Shares, entitlement to which is as set out in Part II;
Purchased Shares Acquisition Date	the date determined by the Trustee in accordance with Rule 10.3.4;
Purchased Shares Agreement	an agreement issued by the UK Plan Manager under Rule 10.4;
Purchased Shares Closing Date	the date specified in the Purchased Shares Invitation by which the completed Purchased Shares Agreement must be received by the UK Plan Manager;
Purchased Shares Invitation	an invitation issued by the UK Plan Managers under Rule 10;
Purchased Shares Market Value	in the case of a Purchased Shares Agreement with:

(a) an Accumulation Period, the lower of the Market Value of a Share on:

	(i) the first day of the Accumulation Period; and
	(ii) the Purchased Shares Acquisition Date;
	(b) no Accumulation Period, the Market Value of a Share on the Purchased Shares Acquisition Date.
Purchased Share Money	the meaning given to that term by Rule 10.5.2;
Qualifying Company	the meaning set out in paragraph 14 of Schedule 8;
Qualifying Corporate Bond	the meaning set out in section 117 of the Taxation of Chargeable Gains Act 1992;
Qualifying Period	a period determined by the UK Plan Manager in relation to any Award of Shares under the Plan which may be different for different Awards provided that:
	(a) in the case of Free Shares it shall not exceed the period of 18 months before the Free Shares Appropriation Date;
	(b) in the case of Purchased Shares and Matching Shares where there is an Accumulation Period it shall not exceed the period of 6 months before the beginning of the Accumulation Period;
	(c) in the case of Purchased Shares and Matching Shares where there is no Accumulation Period it shall not exceed the period of 18 months before the deduction of money for the acquisition of such Purchased Shares;
Relevant Amount	(a) in respect of Free Shares, £3,000 in any Year of Assessment;

(b) in respect of Purchased Shares, the lower of:

(i) £125 per month or if the Salary is not paid monthly such amount as bears to £125 the same proportion as the pay interval in question bears to one month; and

(ii) 10% of Salary which if there is no Accumulation Period shall mean 10% of the Salary payment concerned and if there is an Accumulation Period shall mean 10% of the total Salary of the Participant over that period;

(c) in respect of Dividend Shares £1,500 in any Year of Assessment,

subject in each case to such amendment as may be made to that limit under the Finance Act 2000 from time to time;

Relevant Employment	employment by a Participating Company or any Associated Company of a Participating Company;
Retirement Age	the age of 55;
Rules	these rules as from time to time amended;
Salary	such of the emoluments of the office or employment by virtue of which a Participant is eligible to participate in the Plan as are liable to be paid under deduction of tax pursuant to section 203 ICTA 1988 or which would be if that individual were within the scope of Schedule E, after deducting amounts included by virtue of Chapter II Part V ICTA 1988 or which would have been had the individual been within the scope of Schedule

	E, together with amounts that would be so liable apart from Schedule 8;
Schedule 8	Schedule 8 to the Finance Act 2000;
Shares	shares of fully paid common stock in the capital of the Company (or any shares representing the same) which satisfy the conditions in paragraphs 60 to 67 inclusive of Schedule 8;
Subsidiary	any UK incorporated company over which the Company has Control;
UK Plan Manager	the duly authorised officer or officers of a Participating Company whom the Directors have appointed to act in such capacity for the purpose of the Plan; and
Year of Assessment	a period commencing on 6 April in any year and ending on 5 April in the following year.

1.2 In the Plan, unless otherwise specified:

1.2.1 the contents, clause and Rule headings are inserted for ease of reference only and do not affect their interpretation;

1.2.2 references to clauses, Rules, Parts and the Schedule are to clauses, rules, parts of, and the schedule to the Plan;

1.2.3 a reference to writing includes any mode of reproducing words in a legible form and reduced to paper;

1.2.4 the singular includes the plural and vice-versa and the masculine includes the feminine;

1.2.5 a reference to a statutory provision includes any statutory modification, amendment or re-enactment thereof; and

1.2.6 the Interpretation Act 1978 applies to the Plan in the same way as it applies to an enactment.

2 PURPOSE OF THE PLAN

The purpose of the Plan is to enable Eligible Employees of Participating Companies to acquire Shares which give them a continuing stake in the Company.

3 PARTICIPATION ON SAME TERMS

On each occasion when an Award is to be made, subject to Rule 5 every Eligible Employee shall be invited to participate in an Award on the same terms and those who do actually participate must do so on the same terms.

PART I – FREE SHARES

4 ISSUE OF INVITATIONS

4.1 Discretion of Directors

The Directors may in their absolute discretion determine that an Award of Free Shares may be made and, accordingly instruct the UK Plan Manager to issue Free Shares Invitations.

4.2 Limit on individual participation

In any Year of Assessment, the Initial Market Value of Free Shares Appropriated to a Participant shall not exceed the Relevant Amount.

4.3 Contents of Free Shares Invitations

Free Shares Invitations shall be in such form as the UK Plan Manager determines from time to time and shall state:

4.3.1 the Free Shares Closing Date;

4.3.2 the expected Free Shares Appropriation Date;

4.3.3 the Free Shares Holding Period;

4.3.4 that, by accepting the Free Shares Invitation, the Eligible Employee becomes bound in contract with the UK Plan Manager to observe the restrictions set out in the Free Shares Agreement;

4.3.5 that an Eligible Employee who wishes to accept the Free Shares under the Award shall submit to the Company, prior to the Free Shares Closing Date, a duly completed Free Shares Agreement;

4.3.6 that the individual shall only be entitled to an Appropriation of Free Shares if he remains an Eligible Employee at the Free Shares Appropriation Date;

4.3.7 that (as determined at the discretion of the UK Plan Manager) the provisions of either Rules 9.2 or 9.3 shall apply to the Award and, if Rule 9.3 applies, shall state what the applicable Forfeiture Period shall be; and

4.3.8 such additional information, not inconsistent with the Rules and the Trust Deed as the UK Plan Manager may from time to time determine.

4.4 Free Shares Agreement and Free Shares Invitations

Each Eligible Employee shall be sent a Free Shares Invitation and a Free Shares Agreement which shall be in such form as the UK Plan Manager may determine from time to time and shall require the Eligible Employee to contract with the Company as set out in Rule 8.

4.5 Election to participate in any Award of Free Shares

A Free Shares Agreement may include an election by a Participant to participate in any Award of Free Shares until such time as he notifies the UK Plan Manager that he no longer wishes to so participate. Where a Participant makes such an election he shall be deemed to have complied with Rule 4.3.5 in relation to each Award of Free Shares until the election is withdrawn.

5 ALLOCATION OF FREE SHARES BY REFERENCE TO PERFORMANCE

5.1 Free shares may be allocated by reference to performance

The UK Plan Manager may stipulate that the number of Free Shares (if any) to be Appropriated to each Participant on a given occasion shall be determined by reference to Performance Allowances.

5.2 Performance Allowances to apply to all

If Performance Allowances are used, they shall apply to all Participants.

5.3 UK Plan Manager to provide information

If Performance Allowances are used the UK Plan Manager shall, as soon as reasonably practicable:

5.3.1 notify each Participant participating in the Award of the Performance Targets to be used to determine the number or value of Free Shares Appropriated to him; and

5.3.2 notify all Eligible Employees of any Participating Company, in general terms, of the Performance Targets to be used to determine the number or value of Free Shares to be Appropriated to each Participant under the Award (provided that the UK Plan Manager may exclude any information the disclosure of which it reasonably considers would prejudice commercial confidentiality).

5.4 **Use of method 1 or method 2**

The UK Plan Manager shall determine the number of Free Shares (if any) to be Appropriated to each Participant by reference to performance using method 1 or method 2. The same method shall be used for all Participants for each Award.

5.5 **Performance Allowances: method 1**

By this method:

5.5.1 at least 20% of Free Shares Appropriated under any Award shall be Appropriated without reference to a Performance Target;

5.5.2 the remaining Free Shares shall be Appropriated by reference to a Performance Target; and

5.5.3 the highest Appropriation made to a Participant by reference to performance in any period shall be not more than four times the number of Free Shares Appropriated to an individual without reference to a Performance Target at the same time.

If this method is used:

5.5.4 the Free Shares Appropriated without reference to a Performance Target shall be Appropriated on the same terms as provided in Rule 5.7; and

5.5.5 the Free Shares Appropriated by reference to a Performance Target need not be Appropriated on the same terms as provided in Rule 5.7.

5.6 **Performance Allowances: method 2**

By this method:

5.6.1 some or all Free Shares shall be Appropriated by reference to performance;

5.6.2 the Appropriation of Free Shares to Participants who are members of the same Performance Unit shall be made on the same terms, as provided in Rule 5.7; and

Free Shares Appropriated for each Performance Unit shall be treated as separate Awards for the purposes of Rule 5.7 only.

5.7 **Same terms basis for Free Shares Awards**

An Award of Free Shares on the same terms shall be on terms determined by the UK Plan Manager which may be directly proportional to any one or more separately of a Participant's:

5.7.1 remuneration from;

5.7.2 length of service with;

5.7.3 number of hours worked for;

any one or more Participating Companies.

6 PERFORMANCE TARGETS

6.1 **Imposition of Performance Targets**

The UK Plan Manager may impose one or more Performance Targets in order to determine the number or value of Free Shares (if any) subject to a Performance Allowance.

6.2 **Nature of Performance Targets**

Any Performance Target imposed shall be:

6.2.1 based on business results or other objective criteria; and

6.2.2 a fair and objective measure of the performance of the Performance Unit(s) to which it applies.

6.3 **Membership of Performance Unit**

No Participant shall be a member of more than one Performance Unit.

6.4 **Substitution, variation or waiver of Performance Targets**

6.4.1 If an event occurs which causes the UK Plan Manager to consider that a Performance Target is no longer appropriate, the UK Plan Manager may substitute, vary or waive such Performance Target in such manner (and make such consequential amendments to the Rules) as:

6.4.1.1 is reasonable in the circumstances;

6.4.1.2 produces a fairer measure of performance and is neither materially more nor less difficult to satisfy; and

6.4.1.3 continues to comply with Rule 6.2.

6.4.2 The UK Plan Manager shall, as soon as reasonably practicable, notify each Participant affected of any such substitution, variation or waiver of the Performance Target.

7 APPROPRIATION OF FREE SHARES

7.1 Provision of information by the UK Plan Manager to the Trustee

As soon as practicable after the end of the period to which the Performance Target relates (in the case of Performance Allowances) or the Free Shares Closing Date the UK Plan Manager shall inform the Trustee of:

7.1.1 the name and address of each Participant to whom Free Shares are to be Appropriated, together with details of the Participating Company which employs the Participant;

7.1.2 the number of Free Shares to be Appropriated to each Participant on this occasion.

7.2 Appropriation

On the expected Free Shares Appropriation Date, the Trustee shall Appropriate to each Participant the number of Free Shares notified to the Trustee under Rule 7.1.

7.3 Notification of Appropriation to Participants

As soon as practicable after the Free Shares Appropriation Date, the Trustee shall notify each Participant to whom Free Shares have been Appropriated of:

7.3.1 the number and description of Free Shares Appropriated to him;

7.3.2 the Free Shares Appropriation Date;

7.3.3 their Initial Market Value; and

7.3.4 the applicable Free Shares Holding Period.

8 RESTRICTIONS ON DEALINGS IN, AND PERMITTED TRANSFERS OF FREE SHARES

8.1 Restrictions on disposals by Participants

Subject to Rules 25 and 27, during the Free Shares Holding Period a Participant shall:

8.1.1 permit the Trustee to hold his Free Shares; and

8.1.2 not assign, charge or otherwise dispose of his beneficial interest in his Free Shares.

8.2 Restrictions on disposals by the Trustee

Subject to Rules 9, 29 and 31 and paragraph 121(5) of Schedule 8 the Trustee:

8.2.1 shall not dispose of any Free Shares, whether by transfer to the Participant or otherwise, during the Free Shares Holding Period;

8.2.2 shall not dispose of any Free Shares after the Free Shares Holding Period except in accordance with a direction given by or on behalf of the Participant; and

8.2.3 shall not deal with any right conferred in respect of a Participant's Free Shares to be allotted other shares, securities or other rights except pursuant to a direction given by or on behalf of the Participant or any person in whom the beneficial interest in his Free Shares is for the time being vested.

8.3 Transfer of Free Shares after the Free Shares Holding Period

8.3.1 A Participant may, at any time after the Free Shares Holding Period direct the Trustee by notice in writing to:

8.3.1.1 transfer the Participant's Free Shares to the Participant; or

8.3.1.2 transfer the Free Shares to some other person named by the Participant; or

8.3.1.3 dispose of the Free Shares by way of sale for the best consideration in money that can reasonably be obtained at the time of sale and to account for the proceeds to the Participant or some other person named by the Participant.

8.3.2 Within 30 days after receipt of a notice referred to in Rule 8.3.1 the Trustee shall comply with the instructions set out in such notice after first complying with Rules 30 and 31 as appropriate.

9 CESSATION OF RELEVANT EMPLOYMENT AND EARLY TRANSFER OF FREE SHARES

9.1 Trustee to be notified of cessation of Relevant Employment

If a Participant ceases to be in Relevant Employment then the UK Plan Manager shall as soon as reasonably practicable inform the Trustee of such cessation and whether the provisions of Rule 9.2 or 9.3 apply.

9.2 Early transfer of Free Shares

Where the Trustee has been notified by the UK Plan Manager in accordance with Rule 9.1 that this Rule 9.2 applies then as soon as reasonably practicable after the receipt of such notification and in any event within 30 days after the cessation of the Relevant Employment the Trustee shall transfer the Free Shares to the Participant or as directed by him prior to the transfer, in accordance with Rules 8.3.1.2 or 8.3.1.3 provided always that the Trustee shall first comply with Rule 31.

9.3 Forfeiture of Free Shares

Where the Trustee has been notified by the UK Plan Manager in accordance with Rule 9.1 that this Rule 9.3 applies then, subject to Rules 9.4 and 9.5 the Participant's beneficial entitlement to his Free Shares shall lapse immediately on his ceasing to be in Relevant Employment before the end of the Forfeiture Period and he shall cease to have any rights to such Free Shares.

9.4 Injury, disability, redundancy, retirement etc

Notwithstanding Rule 9.3 if a Participant ceases to be in Relevant Employment by reason of:

9.4.1 injury or disability established to the satisfaction of the UK Plan Manager;

9.4.2 redundancy within the meaning of the Employment Rights Act 1996;

9.4.3 a transfer of employment which is subject to the Transfer of Undertaking (Protection of Employment) Regulations 1981;

9.4.4 a change of Control or other circumstances giving rise to the Participant's employing company ceasing to be an Associated Company of any Participating Company;

9.4.5 retirement on or after reaching Retirement Age;

then the Trustee shall act in accordance with Rule 9.2.

9.5 **Death**

If a Participant ceases to be in Relevant Employment by reason of his death then the Trustee shall act in accordance with Rule 24.5.

PART II – PURCHASED SHARES

10 PURCHASED SHARES INVITATIONS

10.1 Issue of Purchased Shares Invitations

The Directors may in their absolute discretion determine that an Award of Purchased Shares may be made and, accordingly instruct the UK Plan Manager to issue Purchased Shares Invitations.

10.2 Timing of Purchased Shares Invitations

Purchased Shares Invitations must be issued before the commencement of any relevant Accumulation Period.

10.3 Contents of Purchased Shares Invitation

Purchased Shares Invitations shall be in such form as the UK Plan Manager may determine from time to time and shall state:

10.3.1 the Purchased Shares Closing Date;

10.3.2 the maximum Salary deduction permitted under the Purchased Shares Agreement (being the lesser of the Relevant Amount and such other amount (being a multiple of £1) as the UK Plan Manager may determine and specify);

10.3.3 the minimum Salary deduction permitted determined by the UK Plan Manager which sum must be no greater than £10 per month (or such other amount as may be permitted from time to time under paragraph 37 of Schedule 8);

10.3.4 the expected Purchased Shares Acquisition Date being a date determined by the Trustee which:

10.3.4.1 where there is no Accumulation Period, shall be within 30 days after the deduction from Salary referred to in Rule 10.5.2 is made;

10.3.4.2 where there is an Accumulation Period shall be not more than 30 days after the end of the Accumulation Period.

10.3.5 that an Eligible Employee who wishes to accept Purchased Shares under the Award shall submit to the UK Plan Manager, prior to the Purchased Shares Closing Date, a duly completed Purchased Shares Agreement; and

10.3.6 if appropriate, the commencement date (which may not commence later than the date of the first Salary deduction to be made under the Participant's Purchased Shares Agreement) and length of the Accumulation Period.

10.4 **Purchased Shares Agreement and Purchased Shares Invitation**

Each Eligible Employee shall be sent a Purchased Shares Agreement and a Purchased Shares Invitation.

10.5 **Contents of Purchased Shares Agreement**

A Purchased Shares Agreement shall be in such form as the UK Plan Manager may determine from time to time and shall:

10.5.1 set out a notice in the form prescribed by regulations and pursuant to paragraph 38 of Schedule 8;

10.5.2 require the Eligible Employee to state the amount of Salary deduction(s) being a multiple of £1 and not exceeding the maximum permitted under Rule 10.3.2) which he wishes to allocate for the purchase of Purchased Shares under the Purchased Shares Agreement ("Purchased Share Money"); and

10.5.3 state the intervals at which such amounts should be deducted; and

10.5.4 permit the Eligible Employee to notify the Trustee that he wishes to have any excess amount remaining after the acquisition of Purchased Shares to be paid over to him subject to the Trustee complying with Rule 32. For the avoidance of doubt, if the Trustee does not receive such written notification and excess amount remaining after the acquisition of Purchased Shares will be retained by the Trustee and added to the next Accumulation Period or where there is no next Accumulation Period, retained by the Trustee and added to the next Salary deduction;

10.5.5 state the commencement date (which may not commence later than the date of the first Salary deduction to be made under the Eligible Employee's Purchased Shares Agreement) and length of the Accumulation Period, if applicable; and

10.5.6 if applicable, state the maximum number of Purchased Shares to be included in the Award on this occasion.

10.6 **Agreement may be withdrawn**

A Purchased Shares Agreement shall have effect until such time as a Participant notifies the UK Plan Manager that he no longer wishes to so participate.

10.7 **Excess Salary deductions**

Any amounts deducted in excess of the amounts permitted must be paid over to the Participant as soon as practicable, not including sums retained by the Trustee in complying with Rule 30.

10.8 **Scaling down**

If the Company receives applications for Purchased Shares in excess of any maximum specified in accordance with Rule 10.5.6 the amount of deduction of Purchased Share Money specified by each Participant shall be reduced pro rata.

10.9 **Purchased Share Money held for Eligible Employee**

Purchased Share Money must subject to Rules 11.4 and 14.2 be:

10.9.1 paid to the Trustee as soon as practicable; and

10.9.2 held by the Trustee on behalf of a Participant with:

10.9.2.1 an institution authorised under the Banking Act 1987;

10.9.2.2 a building society; or

10.9.2.3 a relevant European institution

until it is used to acquire Purchased Shares on a Participant's behalf.

10.10 **Interest on Purchased Share Money**

The Trustee must account to a Participant, for any interest received on Purchased Share Money held on his behalf.

11 INSTRUCTIONS GIVEN DURING ACCUMULATION PERIOD

11.1 **Variation of Salary deductions and intervals**

Subject to Rules 10.3.2, 10,3,3, 10.3.8, and notwithstanding Rule 10.5.5 a Participant may, with the prior agreement of the UK Plan Manager, vary the amount and or the intervals of the salary deduction authorised under his Purchased Shares Agreement.

11.2 **Notice to suspend Salary deductions**

A Participant may, at any time direct the UK Plan Manager by notice in writing to:

11.2.1 suspend the making of Salary deductions; or

11.2.2 recommence the making of Salary deductions

under his Purchased Shares Agreement provided always that the Participant may not permit the UK Plan Manager to make additional Salary deductions to make up for any Salary deductions which were missed.

11.3 **Notice to terminate Purchased Shares Agreement**

A Participant may, at any time notify the UK Plan Manager in writing that he wishes to terminate his Purchased Shares Agreement.

11.4 **UK Plan Manager to give effect to notices**

11.4.1 Where the UK Plan Manager receives a notice to suspend or terminate deductions under Rule 11.2 or 11.3, it shall (unless a later date is specified in the notice) within 30 days of receipt of the notice give effect to the same, and shall:

11.4.1.1 arrange for all further deductions of Purchased Share Money under the Participant's Purchased Shares Agreement to cease;

11.4.1.2 in the case of a notice under Rule 11.3 instruct the Trustee, subject to first complying with Rule 30, to pay over to that Participant Purchased Share Money held on his behalf.

11.4.2 When the UK Plan Manager receives a notice to recommence Salary deductions under Rule 11.2 it shall (unless a later date is specified in the notice) recommence deductions on the date of the first deduction due under the Purchased Shares Agreement following 30 days after receipt of the notice.

11.5 **Purchased Shares Agreement to apply to new holding**

Where during an Accumulation Period a transaction occurs in relation to any of the shares to be acquired under a Purchased Shares Agreement which results in a new holding of Shares being equated with the original holding for the purposes of capital gains tax and the Participant gives his consent, the Purchased Shares Agreement shall have effect following that transaction as if it were an agreement for the purchase of shares comprised in the new holding.

12 ACQUISITION OF PURCHASED SHARES

12.1 Acquisition of Shares by Trustee (no Accumulation Period)

After the deduction of Purchased Share Money the Trustee shall calculate the number of Purchased Shares to be acquired on behalf of each Participant by dividing (as nearly as possible) each Participant's Purchased Share Money deducted under his Purchased Shares Agreement by the Purchased Shares Market Value. The Trustee shall then acquire such Shares on behalf of Participants within 30 days of such deduction.

12.2 Acquisition of Shares by Trustee (with Accumulation Period)

After the expiry of the Accumulation Period the Trustee shall calculate the number of Purchased Shares to be acquired on behalf of each Participant by dividing (as nearly as possible) each Participant's aggregate Purchased Share Money salary deducted under his Purchased Shares Agreement during the Accumulation Period (together with any amount carried forward from a previous Accumulation Period by agreement with the Participant) by the Purchased Shares Market Value and shall within 30 days of the end of the Accumulation Period acquire that number of Shares which shall be held on behalf of the respective Participant as Purchased Shares.

12.3 Notification of acquisition to Participants

As soon as practicable after the Purchased Shares Acquisition Date, the Trustee shall notify each Participant on whose behalf Purchased Shares have been acquired of:

12.3.1 the number and description of Purchased Shares acquired on his behalf;

12.3.2 the Purchased Shares Acquisition Date;

12.3.3 the aggregate amount of the Participant's Purchased Share Money applied by the Trustee in acquiring the Purchased Shares; and

12.3.4 the Purchased Shares Market Value.

12.4 Salary deductions not invested in Purchased Shares

Any Purchased Share Money not used to acquire Purchased Shares shall be dealt with in accordance with the instructions of the Participant under Rule 10.5.4.

13 TRANSFER OF PURCHASED SHARES BY PARTICIPANT

13.1 Participants may request transfer of Purchased Shares

A Participant may, at any time after the Purchased Shares Acquisition Date direct the Trustee by notice in writing to:

13.1.1 transfer his Purchased Shares to the Participant; or

13.1.2 transfer his Purchased Shares to some other person named by the Participant; or

13.1.3 dispose of those Purchased Shares by way of sale and to account for the proceeds to the Participant or some other person named by the Participant.

13.2 Trustee to comply with request

As soon as reasonably practicable, and in any event within 30 days after receipt of the notice, the Trustee shall comply with the instructions set out in such notice provided always that it shall first comply with Rules 30 and 31.

14 CESSATION OF RELEVANT EMPLOYMENT

14.1 Trustee to be notified of cessation of Relevant Employment

If a Participant ceases to be in Relevant Employment then the UK Plan Manager shall, as soon as reasonably practicable, inform the Trustee of such cessation.

14.2 Cessation of Relevant Employment prior to the Purchased Shares Acquisition Date

14.2.1 Where there is no Accumulation Period and a Participant ceases to be in Relevant Employment before the Purchased Shares Acquisition Date but after the deduction of Purchased Share Money he shall be treated as ceasing to be in Relevant Employment immediately after the Purchased Shares Acquisition Date.

14.2.2 Where there is an Accumulation Period and a Participant ceases to be in Relevant Employment during the Accumulation Period the Trustee shall, subject to first complying with Rule 30, pay over to that Participant as soon as reasonably practicable all Salary deductions that have been made under his Purchased Shares Agreement.

14.2.3 Where there is an Accumulation Period and a Participant ceases to be in Relevant Employment after the final deduction of Purchased Share Money

and before the Purchased Shares Acquisition Date he shall be treated as ceasing to be in Relevant Employment immediately after the Purchased Shares Acquisition Date.

14.3 **Transfer of Purchased Shares on cessation of Relevant Employment**

Where the Participant ceases or is treated as ceasing to be in Relevant Employment on or following the Partnership Shares Acquisition Date and where the Trustee receives a notification under Rule 14.1 then as soon as reasonably practicable after the receipt of such notification and in any event within 30 days after the cessation of the Relevant Employment the Trustee shall transfer the Purchased Shares to the Participant or as directed by him in writing prior to the transfer provided always that the Trustee shall first comply with Rule 31.

PART III – MATCHING SHARES

15 NOTIFICATION OF MATCHING SHARES

15.1 Relationship to Purchased Shares

Where the Directors have exercised their discretion under Rule 10.1 they may in their absolute discretion also determine that an Appropriation of Matching Shares shall be made to those Eligible Employees who enter into a Purchased Shares Agreement.

15.2 Additional contents of Purchased Shares Agreement

Where the Directors exercise their discretion under Rule 15.1 then in addition to the requirements set out in Rule 10.5 each Purchased Shares Agreement shall state:

15.2.1 the Matching Shares Appropriation Date (which shall be the same as the Purchased Shares Acquisition Date);

15.2.2 the ratio of Matching Shares to Purchased Shares for this Award of Purchased Shares which:

15.2.2.1 shall not exceed a maximum of two Matching Shares for every Purchased Share acquired on behalf of the Participant; and

15.2.2.2 shall be the same ratio for all Participants;

15.2.3 the circumstances and manner in which the ratio may be changed by the UK Plan Manager, and if the UK Plan Manager decides to alter the ratio of Matching Shares to Purchased Shares prior to the Purchased Share Acquisition Date the UK Plan Manager shall notify each Participant affected prior to the Purchased Shares Acquisition Date;

15.2.4 the Matching Shares Holding Period;

15.2.5 the Forfeiture Period applicable in the event of a transfer of Purchased Shares pursuant to Rule 13;

15.2.6 that (as determined at the discretion of the UK Plan Manager) the provisions of either Rules 18.3 or 18.4 shall apply to the Award and, if Rule 18.4 applies, shall state what the applicable Forfeiture Period shall be;

15.2.7 such additional information not inconsistent with the Rules and the Trust Deed as the UK Plan Manager may from time to time determine.

16 APPROPRIATION OF MATCHING SHARES

16.1 Calculation by Trustee

At the same time as the Trustee calculates the number of Purchased Shares to be acquired on behalf of a Participant pursuant to Rule 12.1 or 12.2 it shall additionally calculate the number of Matching Shares to be Appropriated to each Participant.

16.2 Appropriation of Matching Shares

Subject to Rule 24.12 on the Matching Shares Appropriation Date the Trustees shall Appropriate to each Participant the number of Matching Shares notified to it under Rule 16.1.

16.3 Notification of Appropriation to Participants

At the same time as making a notification pursuant to Rule 12.3 the Trustee shall notify each Participant to whom Matching Shares have been Appropriated of:

16.3.1 the number and description of the Matching Shares Appropriated to him;

16.3.2 the Matching Shares Appropriation Date;

16.3.3 their Initial Market Value; and

16.3.4 the Matching Shares Holding Period.

17 RESTRICTIONS ON DEALINGS IN, AND PERMITTED TRANSFERS OF MATCHING SHARES

The provisions of Rule 8 shall apply mutatis mutandis to Matching Shares during the Matching Shares Holding Period as they apply to Free Shares during the Free Shares Holding Period, save that the reference to Rule 9 shall be construed as a reference to Rule 18.

18 CESSATION OF RELEVANT EMPLOYMENT AND EARLY WITHDRAWAL OF PURCHASED SHARES

18.1 Trustee to be notified of cessation of Relevant Employment

If a Participant ceases to be in Relevant Employment then the UK Plan Manager shall, as soon as reasonably practicable, inform the Trustee of such cessation and whether the provisions of Rule 18.3 or 18.4 apply.

18.2 Early withdrawal of Purchased Shares

Where the Trustee receives a notice under Rule 13.1 before the expiry of the applicable Forfeiture Period then subject to Rules 18.5 and 18.6 the Participant's beneficial entitlement to his Matching Shares (awarded in respect of the Purchased Shares which are being withdrawn) shall lapse immediately and he shall cease to have any rights to such Matching Shares.

18.3 Early transfer of Matching Shares

Where the Trustee has been notified by the UK Plan Manager that this Rule 18.3 applies then as soon as reasonably practicable after the receipt of such notification and in any event within 30 days after the cessation of the Relevant Employment the Trustee shall transfer the Matching Shares to the Participant or as directed by him in writing prior to the transfer provided always that the Trustee shall first comply with Rule 31.

18.4 Forfeiture of Matching Shares

Where the Trustee has been notified by the UK Plan Manager that this Rule 18.4 applies then subject to Rules 18.5 and 18.6 the Participant's beneficial entitlement to his Matching Shares shall lapse immediately on his ceasing to be in Relevant Employment before the end of the Forfeiture Period and he shall cease to have any rights to such Matching Shares.

18.5 Injury, disability, redundancy, retirement etc

Notwithstanding Rule 18.4 if a Participant ceases to be in Relevant Employment for a reason set out in Rule 9.4, the Trustee shall act in accordance with Rule 18.3.

18.6 Death

If a Participant ceases to be in Relevant Employment by reason of his death, the Trustee shall act in accordance with Rule 24.5.

PART IV – DIVIDEND SHARES

19 PROVISION OF DIVIDEND SHARES

19.1 **Relationship to Plan Shares**

The Directors may in their absolute discretion direct that:

19.1.1 all cash dividends paid in respect of Plan Shares held on behalf of Participants must be used to acquire further Shares on their behalf; or

19.1.2 all cash dividends paid in respect of Plan Shares held on behalf of Participants may at the election of Participants be used to acquire further Shares on their behalf

referred to as Dividend Shares.

19.2 **Direction revocable**

The Directors may at any time revoke any direction made pursuant to Rule 19.1.

19.3 **Dividend not invested in Dividend Shares**

Where dividends paid in respect of Plan Shares are not required to be reinvested in Dividend Shares they must be paid over to Participants as soon as practicable.

19.4 **Timing of acquisition of Dividend Shares**

The Trustee must use any dividends to be used to acquire Dividend Shares on behalf of Participants within 30 days of the date when they receive such dividend.

19.5 **Participants to be treated equally**

In exercising their powers in relation to the acquisition of Dividend Shares the Trustee shall treat all Participants fairly and equally.

20 AMOUNT AND TYPE OF DIVIDEND SHARES

20.1 **Type of Shares to be used as Dividend Shares**

Dividend Shares shall be of the same class, and carry the same rights as the Participant's Plan Shares in respect of which the relevant dividends were paid and must not be subject to any provision for forfeiture.

20.2 **Calculation of number of Dividend Shares**

20.2.1 Subject to Rule 20.2.3, the number of whole Shares to be acquired as Dividend Shares on behalf of each Participant on each occasion shall be calculated by taking the aggregate amount of the cash dividends paid on the Participant's Plan Shares (together with any amounts carried forward under Rule 20.3) and dividing this amount (as nearly as possible) by the Market Value of the Shares on the date on which they are acquired by the Trustee.

20.2.2 The basis for the calculation carried out under this Rule 20.2 shall be the same for all Participants who are to receive Dividend Shares on that occasion.

20.2.3 The maximum amount of Dividend Shares acquired pursuant to the Plan or any other share incentive plans established by the Company or a Connected Company and approved by the Inland Revenue under Schedule 8 may not exceed the Relevant Amount.

20.3 **Dividend amounts carried forward**

To the extent that a dividend paid in respect of a Participant's Plan Shares could not be used to acquire Dividend Shares under this Rule 20 then such amount of the dividend may be retained by the Trustee and, subject to Rule 20.4, carried forward to be added to the amount of the next cash dividend to be used to acquire Dividend Shares (and for the purposes of this Rule 20 shall be treated as used to acquire Dividend Shares before an amount derived from a later cash dividend) and the Trustee shall keep records of such amounts to enable it to comply with Rule 20.4.

20.4 **Circumstances for payment of cash dividends**

Any amount retained by the Trustee pursuant to Rule 20.3 shall be paid in cash as soon as possible to the Participant where:

20.4.1 such amount has not been used to acquire Dividend Shares by the third anniversary of the date on which the dividend was paid; or

20.4.2 the Participant ceases to be in Relevant Employment provided always that the Trustee shall first comply with Rule 30; or

20.4.3 a plan termination notice is issued in respect of the Plan.

21 NOTIFICATION OF ACQUISITION OF DIVIDEND SHARES

21.1 As soon as practicable after the Dividend Shares Acquisition Date, the Trustee shall notify each Participant for whom Dividend Shares have been acquired of:

21.1.1 the Dividend Shares Acquisition Date;

21.1.2 the number and description of Dividend Shares acquired on his behalf;

21.1.3 their Initial Market Value;

21.1.4 the Dividend Shares Holding Period; and

21.1.5 the amount of any dividend carried forward under Rule 20.3.

22 RESTRICTIONS ON DEALINGS IN AND PERMITTED TRANSFERS OF, DIVIDEND SHARES

The provisions of Rule 8 shall apply mutatis mutandis to Dividend Shares during the Dividend Shares Holding Period as they apply to Free Shares during the Free Shares Holding Period, save that the reference to Rule 9 shall be construed as a reference to Rule 23.

23 CESSATION OF RELEVANT EMPLOYMENT

23.1 Trustee to be notified of cessation of Relevant Employment

If a Participant ceases to be in Relevant Employment then the UK Plan Manager shall, as soon as reasonably practicable, inform the Trustee of such cessation.

23.2 Early transfer of Dividend Shares

As soon as reasonably practicable after the receipt of a notification referred to in Rule 23.1, and in any event within 30 days after the cessation of the Relevant Employment, the Trustee shall transfer the Dividend Shares to the Participant, or as the Participant has directed the Trustee in writing, received prior to the transfer, provided always that the Trustee shall first comply with Rule 31.

23.3 Death

If a Participant ceases to be in Relevant Employment by reason of his death, the Trustee shall act in accordance with Rule 24.5.

PART V – GENERAL REQUIREMENTS

24 REQUIREMENTS GENERALLY APPLICABLE TO PLAN SHARES

24.1 **Participants may elect not to participate**

Notwithstanding any other Rule, a Participant may direct that Shares are not to be Appropriated to him or acquired on his behalf, by giving written notice to the UK Plan Manager before the relevant Appropriation date or acquisition date.

24.2 **Individuals eligible for Appropriation**

No Appropriation or acquisition shall be made to or on behalf of an individual who has ceased to be an Eligible Employee.

24.3 **Shares not Appropriated or forfeited**

Shares which are not Appropriated nor acquired on behalf of the Participant or Free Shares or Matching Shares which have been forfeited under the Rules shall be retained by the Trustee for use under the Plan on future occasions.

24.4 **Shares ceasing to qualify**

If Shares which are held by the Trustee for the purposes of the Plan cease to be Shares, they shall not be used for the purposes of the Plan.

24.5 **Death of Participant**

24.5.1 Following the death of a Participant, the Trustee shall, as soon as practicable, transfer the Participant's Plan Shares to or to the order of his legal personal representatives.

24.5.2 All references in the Plan to a Participant shall, where the context requires, be references to the legal personal representative of the Participant.

24.6 **Funds to be provided by Participating Companies**

24.6.1 The Trustee shall acquire by subscription or purchase using monies paid to it by each relevant Participating Company as soon as practicable after receiving such monies, the number of Shares to be Appropriated to that Participating Company's Participants as Free Shares or Matching Shares; and

24.6.2 the Trustee shall, if so directed by the UK Plan Manager, acquire by subscription or purchase Shares at any time using monies paid to it by

Participating Companies for future Appropriations of Shares to, or acquisitions of Shares on behalf of, Eligible Employees.

24.7 **Shares purchased off market by the Trustee**

Where the Trustee proposes to purchase Shares otherwise than through the New York Stock Exchange, the Trustee shall not purchase the Shares for a price in excess of that for which, in the opinion of the Company's brokers, it could purchase those Shares through the New York Stock Exchange.

24.8 **Shares with different rights**

If the Shares to be Appropriated to, or acquired on behalf of each Participant, do not carry the same rights as to dividends or otherwise, the shares appropriated to or acquired on behalf of each Participant shall (as nearly as possible) contain the same proportions of Shares with different rights.

24.9 **Foreign Dividends**

Where any foreign cash dividend is received in respect of Plan Shares held on behalf of a Participant, the Trustee shall give him notice of the amount of any foreign tax deducted from the dividend before it was paid.

24.10 **Timing of contributions to Trustee**

Monies to be paid by the Participating Companies to the Trustee for the purchase or subscription of Shares in respect of an Appropriation shall be paid not later than the dealing day immediately prior to such relevant Appropriation date.

25 PERMITTED DEALINGS IN PLAN SHARES

A Participant shall be entitled at any time to direct the Trustee:

25.1 to accept an offer for any of his Plan Shares if the acceptance will result in a new holding being equated with the original shares for the purposes of capital gains tax; or

25.2 to accept an offer of a Qualifying Corporate Bond, whether alone or with cash or other assets or both, for his Plan Shares if the offer forms part of a general offer as referred in Rule 25.3; or

25.3 to accept an offer of cash, with or without other assets, for his Plan Shares if the offer forms part of a general offer which is made to holders of shares of the same class as his Plan Shares or of shares in the Company and which is made in the first instance on a condition such that if it is satisfied the person

making the offer will have control of the Company within the meaning of section 416 of ICTA 1988; or

25.4 to agree a transaction affecting his Plan Shares, or such of them as are of a particular class, if the transaction would be entered into pursuant to a compromise, arrangement or scheme applicable to or affecting:

25.4.1 all the ordinary share capital of the Company or, as the case may be, all the shares of the class in question; or

25.4.2 all the shares, or all the shares of the class in question, which are held by a class of shareholder identified otherwise than by reference to their employment or their participation in the Plan or any other approved share incentive plan.

26 RECEIPTS BY THE TRUSTEE

Subject to Rule 30, the Trustee shall pay or transfer to a Participant any money or money's worth it receives in respect of, or by reference to, the Participant's Plan Shares unless it is a Capital Receipt which consists of a new holding referred to in Rule 28, provided that the Trustees shall not distribute any Capital Receipt to a Participant if the amount payable to that Participant would be less than £3.

27 EXERCISE OF VOTING RIGHTS ATTACHING TO PLAN SHARES

27.1 Trustee to notify Participants of resolutions

In the event of a general meeting of the Company or any separate general meeting of the holders of shares which include Plan Shares the Trustee shall notify each Participant of any resolution of which the Trustee has received notification and shall invite each Participant to direct the Trustee how to vote.

27.2 Participant to instruct Trustee how to vote

Following notification pursuant to Rule 27.1, the Participant or other person in whom the beneficial interest in the Plan Shares is for the time being vested, may instruct the Trustee how to exercise the voting rights carried by the Plan Shares:

27.2.1 the Trustee shall not be obliged to attend the general meeting and may exercise the voting rights either personally or by proxy;

27.2.2 in the case of "any other business" at an annual general meeting of the Company, the Trustee shall be entitled to vote (or refrain from voting) as it thinks fit;

27.2.3 on a show of hands, the Trustee shall vote in accordance with the wishes of the majority of Participants instructing it; and

27.2.4 on a poll, the Trustee shall vote or lodge proxy cards only in accordance with the directions of each Participant, which directions must have been returned to the Trustee in accordance with the instructions accompanying the notification. In the absence of any such direction the Trustee shall abstain from voting.

27.3 **Notification of Participants' directions to Trustee to be in writing**

Any direction given by a Participant to the Trustee pursuant to Rule 27.2 shall be in writing under the hand of the Participant and shall not be binding upon the Trustee unless it has been received by the Trustee not less than 96 hours before the time for the holding of the meeting.

28 COMPANY RECONSTRUCTIONS

28.1 **New holdings of Shares**

Subject to Rule 28.2, where there occurs in relation to a Participant's Plan Shares a company reconstruction which results in a new holding, or would result in a new holding were it not for the fact that the new holding consists of or includes a Qualifying Corporate Bond:

28.1.1 the company reconstruction shall be treated as not involving a disposal of the Plan Shares comprised in the original holding;

28.1.2 references in the Rules to a Participant's Plan Shares shall be construed, after the date of the company reconstruction, as being references to the shares comprised in the new holding;

28.1.3 such new holding shall be deemed to have been Appropriated to or acquired on behalf of the Participant on the date the original holding was Appropriated to or acquired by him and shall be held by the Trustee on the same terms.

28.2 **Meaning of "new holding"**

For the purpose of Rule 28.1:

28.2.1 in the context of a new holding, any reference in this Rule 28 to shares includes a reference to securities and rights of any description which form part of the new holding for the purpose of Chapter II of Part IV to Taxation of Chargeable Gains Act 1992; and

28.2.2 an issue of shares of any of the following descriptions (in respect of which a charge to income tax arises) made as part of a company reconstruction shall not be treated as forming part of a new holding:

28.2.2.1 redeemable shares or securities issued as mentioned in section 209(2)(c) ICTA 1988;

28.2.2.2 share capital issued in circumstances such that section 210(1) ICTA 1988 applies;

28.2.2.3 share capital to which section 249 ICTA 1988 applies.

29 RIGHTS ISSUES

29.1 Application of Rule

This Rule 29 applies to rights attaching to a Participant's Plan Shares to be allotted, on payment, other shares, securities or rights of any description (together referred to as "Rights").

29.2 Trustee to provide information to Participants

The Trustee shall, inform each Participant of any Rights arising in respect of Plan Shares and shall either send the Participant a copy of the document relating to the Rights or sufficient details to enable the Participant to act in accordance with Rule 29.3.

29.3 Participants to give written directions to Trustee

The Trustee shall deal with the Rights only pursuant to a written direction given by, or on behalf of, the Participant or any person in whom the beneficial interest in the Plan Shares is for the time being vested. Such written direction must be received by the Trustee before the expiry of five days before the closing date for acceptance of the Rights offer or within such other time limit set at the absolute discretion of the Trustee, and may direct the Trustee:

29.3.1 to take up all or part of the Rights provided that such instruction is accompanied by payment in cash of the amount necessary to exercise such rights; or

29.3.2 to sell all of the Rights; or

29.3.3 to sell such part of the Rights as enables the Trustee to use the proceeds of sale to exercise entitlement to the remaining Rights of the Participant.

29.4 Cash amounts arising to be dealt with by Trustee

Any cash arising from the disposal of the Rights (except insofar as it is used to exercise such Rights in accordance with Rule 29.3.3) shall be dealt with by the Trustee in accordance with Rule 26.

29.5 Failure by Participant to give any direction

If a Participant fails to give any direction under Rule 29.3, or has not otherwise authorised the Trustee, or fails to pay any appropriate amount of cash, then the Trustee shall take no action in respect of the Rights associated with that Participant's Plan Shares.

30 DUTY TO ACCOUNT FOR PAYE ON CASH AMOUNTS

30.1 Trustee to make PAYE deductions

The Trustee shall withhold from:

30.1.1 a Capital Receipt referred to in Rule 26;

30.1.2 any monies returned to individuals under Rules 10 and 12; and

30.1.3 the proceeds of a disposal of Plan Shares, other than Dividend Shares, by the Trustee in accordance with a direction from a Participant (except in so far as the proceeds are used to take up Rights in accordance with Rule 29.3.3)

an amount equal to any income tax and employee's national insurance contributions chargeable on such sum for which a Participating Company or the Trustee is required to make a deduction under the PAYE system.

30.2 Trustee to deal with PAYE deductions

30.2.1 The Trustee shall if it is responsible for operating PAYE in relation to such sum, retain it, or otherwise pay such sum as is referred to in Rule 30.1 to one or more Participating Companies in proportion to their respective obligations to operate PAYE in relation to such sum.

30.2.2 If there is no Participating Company for the purposes of Rule 30.2.1 the Trustee shall deduct income tax at the basic rate for the time being in force as if the Participant were a former employee of the Trustee.

31 DUTY TO ACCOUNT FOR PAYE ON TRANSFERS OF ASSETS

31.1 Trustee to make PAYE deductions

Where under any Rule Plan Shares cease to be subject to the Plan and in relation to:

31.1.1 Free Shares it is prior to the fifth anniversary of the Free Shares Appropriation Date;

31.1.2 Purchased Shares it is prior to the fifth anniversary of the Purchased Shares Acquisition Date; or

31.1.3 Matching Shares it is prior to the fifth anniversary of the Matching Shares Appropriation Date

the Trustee shall unless otherwise provided with funds from the Participant to meet any liability for income tax and/or employee's national insurance contributions, dispose of a sufficient number of the Participant's Plan Shares (for the best consideration in money that can reasonably be obtained at the time of sale), the proceeds of which shall (as far as possible) be equal to any income tax and/or employees' national insurance contributions chargeable on the Plan Shares to be transferred and for which the Trustee or a Participating Company is required to make a PAYE deduction.

31.2 Trustee to deal with PAYE deductions

The Trustee and/or a Participating Company shall account to the Board of Inland Revenue for any income tax and/or employees' national insurance contributions referred to in Rule 31.1 and shall pay over to the Participant the difference (if any) between the proceeds from the disposal of his Plan Shares under Rule 31.1 and the amount due.

32 APPORTIONMENT OF CAPITAL RECEIPTS

32.1 Treatment of Capital Receipts

If the Trustee receives any Capital Receipt referred in Rule 26 in respect of, or by reference to, any Plan Shares held on behalf of more than one Participant, then, if and to the extent that such Capital Receipt cannot be precisely divided between such Participants in the appropriate proportions:

32.1.1 to the extent that it is money's worth, the Trustee shall sell it for the best possible consideration in money that can reasonably be obtained and shall divide the proceeds of sale (after deducting any expenses of sale and any

taxation which may be payable by the Trustee) among the Participants in question; and

32.1.2 to the extent that it is money the Trustee's obligations under this Rule 34 shall be deemed to be discharged if the Trustee pays to each Participant the appropriate amount, rounded down to the nearest penny.

32.2 **Trustee to inform Participants**

The Trustee shall inform each Participant in respect of whose Plan Shares the Capital Receipt was received of the treatment thereof for income tax purposes.

33 TERMINATION OF PLAN

33.1 **Company may terminate Plan**

The Company may at any time decide to terminate the Plan and if it does so must issue a plan termination notice copies of which shall be given without delay to:

33.1.1 the Inland Revenue;

33.1.2 the Trustee; and

33.1.3 each Participant.

33.2 **Consequences of termination of Plan**

If the Company issues a plan termination notice in accordance with Rule 33.1:

33.2.1 no further Awards may be made under the Plan;

33.2.2the Trustees shall remove any Plan Shares from the Plan in accordance with paragraph 121 of Schedule 8; and

33.2.3any Purchased Share Money held on behalf of a Participant must be paid to him as soon as practicable thereafter.

33.3 **Inland Revenue withdrawal of Plan approval**

If Inland Revenue approval of the Plan is withdrawn any Purchased Share Money held on behalf of a Participant must be paid to him as soon as practicable thereafter.

34 SHARES FROM QUALIFYING SHARE OWNERSHIP TRUSTS

Where Shares are transferred to the Trustees in accordance with paragraph 76 of Schedule 8, they shall award such Shares only as Free and Matching Shares, and in priority to other available Shares.

35 NOTICES

35.1 Notice by Company, Participating Company etc

Any notice, document or other communication given by, or on behalf of the Company, a Participating Company, the UK Plan Manager or the Trustee to any person in connection with the Plan shall be deemed to have been duly given if delivered to him at his place of work, if he is employed by a Participating Company, or sent through the post in a pre paid envelope to the address last known to the UK Plan Manager to be his address and, if so sent, shall be deemed to have been duly given on the date of posting.

35.2 Deceased Participant

Any notice, document or other communication given to a Participant shall be deemed to have been duly given notwithstanding that such person is then deceased (and whether or not the Company, a Participating Company, the UK Plan Manager or Trustee has notice of his death) except where his personal representatives have established their title to the satisfaction of the UK Plan Manager or Trustee as appropriate and supplied to the UK Plan Manager and the Trustee an address to which notices, documents and other communications are to be sent.

35.3 Notice to Company, etc

Any notice, document or other communication given to the Company, a Participating Company, the UK Plan Manager, or the Trustee in connection with the Plan shall be delivered or sent through the post to the Company, a Participating Company, the UK Plan Manager, or the Trustee (as the case may be) at the address as from time to time notified to Eligible Employees or Participants but shall not in any event be deemed to be duly given unless it is actually received at such address.

35.4 Trustee to distribute Company documentation

If the Trustee receives any annual or interim report, notice of meeting, circular, letter of offer or other documentation (excepting a dividend warrant or a document of title to shares, securities or rights) relating to any Plan Shares, the Trustee may, as soon as reasonably practicable, send, or procure the sending of, a copy of such document to each Participant on behalf of whom such Plan Shares are held.

35.5 **Notification of liability to income tax**

Where a Participant has become liable to income tax under any relevant provision of ICTA 1988 the Trustee shall, as soon as reasonably practicable, inform the Participant of any fact material to determining that liability.

36 FRACTIONAL ENTITLEMENTS

36.1 If, on a company reconstruction, the Trustee receives a share or other security fractions of which would be treated as comprised in two or more Participants' Plan Shares:

36.1.1 it shall not form part of any new holding for the purpose of Rule 28;

36.1.2 Rule 32 shall apply to it.

37 PROTECTION OF THE TRUSTEE

Any sale by the Trustee of shares, securities or rights which is effected through a member of the New York Stock Exchange acting in the ordinary course of his business shall be presumed to have been made for the best consideration that could reasonably be obtained at the time of the sale.

38 RELATIONSHIP OF PLAN TO CONTRACT OF EMPLOYMENT

38.1 Notwithstanding any other provision of this Plan:

38.1.1 the Plan or benefits available under the Plan shall not form part of any contract of employment between any Participating Company and an Eligible Employee;

38.1.2 unless expressly so provided in his contract of employment, an Eligible Employee has no right to an Appropriation;

38.1.3 the benefit to an Eligible Employee of participation in the Plan shall not form any part of his remuneration or count as his remuneration for any purpose and shall not be pensionable; and

38.1.4 if an Eligible Employee ceases to have a Relevant Employment, he shall not be entitled to compensation for the loss of any right or benefit or prospective right or benefit under the Plan whether by way of damages for unfair dismissal, wrongful dismissal, breach of contract or otherwise.

39 ALTERATIONS

No modification, alteration, or amendment to these Rules shall be made except in accordance with clause 22 of the Trust Deed.

EXHIBIT III
KELLOGG (IRELAND) EMPLOYEE SHARE OWNERSHIP PLAN

KELLOGG COMPANY OF IRELAND LIMITED

First Part

KELLOGG LUX 1 SARL

Second Part

GOODBODY TRUSTEES LIMITED

Third Part

KELLOGG EUROPE TRADING LIMITED

Fourth Part

KELLOGG EUROPE TREASURY SERVICES LIMITED

Fifth Part

DEED OF AMENDMENT SUBSTITUTION AND ADHERENCE

for the

KELLOGG (IRELAND) EMPLOYEE SHARE OWNERSHIP PLAN

A & L Goodbody
25-28 North Wall Quay
Dublin 1

THIS DEED OF AMENDMENT AND SUBSTITUTION is made the 6th day of January 2011

BETWEEN

(1) Kellogg Company of Ireland Limited (registered in Ireland under number 49450) whose registered office is at Suite 3, One Earlsfort Centre, Lower Hatch Street, Dublin 2 (hereinafter called the **Original Company**) of the first part;

(2) Kellogg Lux 1 S.à r.l. (registered in Luxembourg under number B103831) whose registered office is at 560A, Rue de Neudorf, L-2220 Luxembourg (hereinafter called the **Company**) of the second part;

(3) Goodbody Trustees Limited (registered in Ireland under number 118057) whose registered office is at International Financial Services Centre, North Wall Quay, Dublin 1 (hereinafter called the **Trustees** which expression shall include any successor trustee) of the third part;

(4) Kellogg Europe Trading Limited (**KETL**) (registered in Ireland under number 387390) whose registered office is at Suite 3, One Earlsfort Centre, Lower Hatch Street, Dublin 2 of the fourth part; and

(5) Kellogg Europe Treasury Services Limited (**KETS**) (registered in Ireland under number 435553) whose registered office is at Suite 3, One Earlsfort Centre, Lower Hatch Street, Dublin 2 of the fifth part.

WHEREAS

A. The Original Company and Irish Progressive Life Assurance Company Limited (the **First Trustee**) (under its former name of Prudential Life of Ireland Limited) established the Kellogg (Ireland) Employee Share Ownership Plan (hereinafter called the **Plan**) by Trust Deed and Rules on 12 October 1988 (the **Original Deed**) to enable employees and executive directors of the Original Company to acquire common stock of the Parent Company (as therein defined) on the terms and in the manner therein set out.

B. The Original Deed was amended with the consent of the relevant parties thereto and the Revenue Commissioners by a Deed of Amendment dated 9 January 1998 (**First Deed of Amendment**).

C. Goodbody Trustees Limited was appointed trustee in place of the First Trustee by a Deed of Appointment dated 6 November 1998 (**Deed of Appointment**).

D. The Original Deed was amended with the consent of the relevant parties thereto and the Revenue Commissioners by a Deed of Amendment dated 10 November 1998 (**Second Deed of Amendment**).

E. The Original Deed was amended with the consent of the relevant parties thereto and the Revenue Commissioners by a Deed of Amendment dated 24 August 2001 (**Third Deed of Amendment**). The Third Deed of Amendment referred inadvertently to the Original Deed having been executed on 12 October 1996. This was in fact an error as the Original Deed heretofore referred was executed on 12 October 1988.

F. The Original Deed was amended with the consent of the relevant parties thereto and the Revenue Commissioners by a Deed of Amendment dated 1 September 2005 (**Fourth Deed of Amendment**). The Fourth Deed of Amendment referred inadvertently to the Original Deed having been executed on 12 October 1998. This was in fact an error as the Original Deed heretofore referred was executed on 12 October 1988.

G. The Original Deed was amended with the consent of the relevant parties thereto and the Revenue Commissioners by a Deed of Consolidation and Amendment dated 14 May 2009 (**Fifth Deed of Amendment**). The Fifth Deed of Amendment referred inadvertently to the Original Deed having been executed on 12 October 1998. This was in fact an error as the Original Deed heretofore referred was executed on 12 October 1988.

H. The trust deed and rules in operation prior to execution of this deed are set out in the Schedule to the Fifth Deed of Amendment.

I. Clause 26 of the trust deed now governing the Plan enables the Original Company and the Trustees by Supplemental Deed to vary, amend or revoke any of the provisions of the deed, subject as therein set out. Rule 23 of the rules now governing the Plan enables the board of directors of the Original Company to modify or vary the rules subject as herein set out.

J. The parties hereto now wish to (1) substitute the Company for the Original Company and (2) make such additional amendments to the Plan as hereinafter appear (the amendments to the rules having also been approved by board resolution of the Original Company).

K. The Original Company, KETL and KETS are controlled by the Company (within the meaning of Section 432 of the Taxes Consolidation Act 1997) and now wish to adhere to the Trust Deed and Rules (as amended by this Deed) as Participating Companies (the consent of the other parties hereto and the Revenue Commissioners having been obtained).

L. The Company is controlled within the meaning of Section 432 of the Taxes Consolidation Act 1997 by Kellogg Company which is a company incorporated in and registered by the State of Delaware in the United States of America whose principal place of business is at One Kellogg Square, Battle Creek 49015 in the State of Michigan in the United States of America and which is not under the control of any other company (hereinafter called "**the Parent Company**").

M. The common stock of the Parent Company is a security traded upon the New York Stock Exchange.

NOW THIS DEED WITNESSETH as follows:

1. The parties hereto agree that the Trust Deed and Rules shall be amended and restated in accordance with the provisions set out in the Schedule hereto which Schedule shall form part of this Deed.

2. The Original Company, KETL and KETS adhere to the Plan and the provisions of the Trust Deed and Rules (as amended by this Deed) as Subsidiaries and agree to be bound in all respects by the terms thereof.

3. This Trust Deed and Rules may be executed in any number of counterparts, and by the several parties to it on separate counterparts, each of which when so executed will constitute an original but all of which together will evidence the same Deed.

SCHEDULE

AMENDED AND CONSOLIDATED PROVISIONS OF TRUST DEED AND RULES

A. PROVISIONS OF TRUST DEED

1. Meanings of Terms

Expressions defined in the Rules shall where the context so permits bear the same meanings in this Deed.

2. Trusts of the Contributory and Free Plans

2.1. Subject as hereinafter provided the Trustees shall hold any monies received from Qualifying Employees by way of Employee Contributions together with any Shares acquired therewith and all other property deriving therefrom UPON TRUST for the Qualifying Employees by (or in respect of) whom such monies were paid and shall apply and deal with the same in accordance with the Contributory Plan.

2.2. Subject as hereinafter provided the Trustees shall apply any monies received from the Company and the Subsidiaries or any of them by way of Original Payment in the purchase of Shares to be appropriated to Qualifying Employees in accordance with the Free Plan hereunder and once appropriated shall hold such Shares which have been appropriated and any money or money's worth derived therefrom UPON TRUST for the Participants beneficially entitled thereto subject to the provisions of the Rules of the Free Plan and the Act. Any income derived from unappropriated Shares and any other unappropriated Shares or funds of the Plan derived from an Original Payment shall be dealt with by the Trustees in accordance with the provisions of Rule 15.4, Rule 15.5 and Rule 16.2.

3. Agreement to Pay

The Company agrees and each of the Subsidiaries, if any, shall agree that when called upon by the Trustees it will pay to the Trustees such sum by way of Original Payment as may be required to enable the Trustees to acquire Shares to be appropriated and held as Free Shares for Qualifying Employees of the Company or of such Subsidiary in accordance with the Rules.

4. Timing of Acquisition of Shares

Monies paid by way of Original Payment shall save as herein provided be so applied within nine months of the end of the accounting reference period of the Company in respect of which such monies are claimed as an expense or within such longer period as the Revenue Commissioners may agree.

5. Duty to Maintain Accounts

The Trustees shall maintain, or cause to be maintained, appropriate accounts and records as may be required for the proper operation of the Plan in accordance with statue and general law and in particular, as may be necessary to enable them to carry out their obligations under Chapter 1 of Part 17 of the Act and shall make

available relevant information in relation to such accounts to any of the Participants, the Subsidiaries, the Company and the Parent Company upon reasonable notice PROVIDED that the Trustees shall not be obliged to make available to any Participant any information which is not in their opinion relevant thereto.

6. Secretary to the Trustees

Subject to Clause 12.2 hereof, the Trustees may from time to time appoint any person resident in the Republic of Ireland to act as secretary to the Trustees and to discharge on their behalf such of their duties and to exercise on their behalf such of their rights under the trusts hereof as they may appoint except that such person shall not hold any Shares or money or money's worth upon trust for any Participant unless such person is himself a Trustee. The Trustees shall have power by Resolution to remove any person from the office of secretary to the Trustees or to vary the duties and rights attaching thereto with immediate effect. The office of the secretary to the Trustees shall not be remunerated but the expenses of the secretary to the Trustees shall, subject to the consent of the Trustees, be deemed for the purpose of Clause 18 hereof to be charges and expenses of the Trustees.

7. Employment of Agents and Delegation

7.1. A Trustee being a corporation may, in the execution and exercise of all the trusts, powers and discretions vested in it, act by its appropriate officers and employees.

7.2. The Trustees may at their discretion and in the performance of their duties hereunder employ any solicitor, accountant, stockbroker or other person, firm or company engaged in any profession or business to carry out any transactions or advise the Trustees on any matter in connection with the execution of the trusts hereof and may at their discretion engage the Company or any Subsidiary as their agent in the discharge of such of their duties under the trusts hereof as they think fit.

7.3. The Trustees may, subject to the consent of the Company, from time to time in writing delegate any business and the exercise of any of the trusts, powers, discretions and duties imposed on them under the Plan to any person (whether being a trustee of the Plan or not) or persons or fluctuating body of persons and such delegation may be made upon such terms and conditions including power to sub-delegate and subject to such regulations as the Trustees may think fit provided that notwithstanding any such delegation the Trustees shall be and remain responsible for the administration of the Plan and for the acts of such persons to whom they may delegate duties in connection with the Plan (save to the extent provided by law or indemnified by the party to whom such delegation was made) and the Trustees shall not be bound to supervise the proceedings of any such delegate or sub-delegate.

7.4. Any costs, charges or expenses incurred by the Trustees in accordance with this clause will form part of the costs, charges and expenses necessarily incurred by them in the execution of the trusts of the Plan.

8. Securities may be placed in Custody; Bank Accounts

8.1. The Trustees may place any securities or documents of title for the time being in the possession of the Trustees in connection with the trusts hereof in a bank or safe deposit or third party custodian and shall

not be responsible for any losses incurred by their so doing.

8.2. Any property subject to the trusts of the Plan may at any time in the discretion of the Trustees be vested in any person or persons (whether or not being one or more of the Trustees) as nominee or nominees for the Trustees so that the Trustees may delegate and/or authorise the sub-delegation of the custody of the fund.

8.3. Any money received by the Trustees pursuant to the provisions of this Deed may be placed on current or deposit or any other account of a similar nature with a bank or other licensed deposit taking institution in Ireland and the Trustees shall not be obliged to earn interest in respect of such money. Any bank account maintained by the Trustees in connection with the Plan may be operated by the Trustees or by any two or more persons (not being trustees) as the Trustees may, in their discretion, direct.

9. Permitted Dealings of Trustees

9.1. A Trustee or any director or other officer of a corporation acting as a Trustee hereof shall not be precluded thereby from acquiring holding or dealing with any debentures, debenture stock, shares or securities whatsoever of the Parent Company or the Company or any Subsidiary or any other company in which the Parent Company or the Company or any Subsidiary may be interested or from entering into any contract or other transaction with the Parent Company or the Company or any Subsidiary or any other company or being interested in any such contract or transaction on his own account and he shall not be in anyway liable to account to any Participant or to the Trustees or to the Parent Company or to the Company or to any Subsidiary for any profits made or benefits obtained by him thereby or in connection therewith.

9.2. Without prejudice to the generality of the foregoing any Trustee hereof being a bank or any other company which provides goods or services (or a subsidiary or associated company of the same who is a professional person or a partner in a professional firm that is associated with the Trustee) may act for or be employed or engaged to carry out any function or service in connection with the Plan and any party so engaged shall be entitled to receive and retain any interest, expenses, commission, brokerage fees, or remuneration for services rendered in connection therewith without being liable to account for the same.

10 Trustee Meetings

If and for so long as there is more than one Trustee:

10.1 the Trustees shall meet together as may be necessary for the administration of the trusts hereof;

10.2. all decisions of the Trustees shall be taken by resolution and each Trustee shall have one vote;

10.3. any resolution passed by a majority of the Trustees present at any meetings of the Trustees of which due notice has been given to all the Trustees (and at which as least two Trustees shall be present) shall be as effective for all purposes as if such resolution had been passed unanimously;

10.4. a resolution in writing signed by all the Trustees shall be as valid and effectual as if it had been passed at a meeting of the Trustees duly called and constituted and may consist of several documents in like form each signed by one or more of the Trustees. A resolution in writing will be valid whether delivered by post, facsimile or electronic mail. In the case of a resolution by way of electronic mail, such resolution will be treated as if it were a resolution signed by the Trustees notwithstanding that no signature appears on the communication; and

10.5. any Trustee may participate in a meeting of the Trustees by means of a conference telephone or similar communicating equipment whereby all persons participating in the meeting can hear each other and participation in a meeting in this manner will be deemed to constitute presence in person, but, for the purposes of determining whether a quorum exists any Trustee in telephonic communication will not be counted in the quorum.

11. Right to deal with Reconstructions, etc

11.1. The Trustees may at any time or times, on behalf of any Participant who has given a direction to the Trustees permitted by Section 511(6)(a) (b) or (c) of the Act (but not otherwise), enter into any compromise or arrangement with respect to or may release or forebear to exercise all or any of their rights as stockholders whether in connection with a scheme of reconstruction or amalgamation or otherwise and may accept in or towards satisfaction of all or any of such rights such consideration as such Participant shall direct whether in the form of cash or stock, shares, debentures, debenture stock or obligations or securities without the Trustees being in any way liable or responsible for any loss resulting from complying with any such direction or any liability or increased liability of such Participant to tax or in respect of any inadequacy or alleged inadequacy in the nature or amount of such consideration.

11.2. The Trustees shall not be liable or responsible for any loss or any liability or increased liability of a Participant to tax arising out of the failure of such Participant to give a direction to the Trustees or failing to give a direction within a particular time or if the Participant has directed the Trustees to use their discretion in any way arising out of the bona fide exercise by the Trustees of that discretion.

12. Residence in the Republic of Ireland

12.1. A corporate body which is sole Trustee hereof must be registered in the Republic of Ireland and where there is more than one Trustee, a majority of the Trustees must at all times be resident in the Republic of Ireland.

12.2. For the purposes of this Clause 12 and Clause 6 above, residence shall be determined in the case of an individual as for the purposes of income tax and in the case of a company where its centre of management and control resides.

13. Remuneration of Professional Trustees

Any Trustee hereof being a solicitor, accountant or stockbroker or who is engaged in any other profession or business may act in relation to the trusts hereof and (without being liable to account for the same) shall be

entitled to charge and be paid all proper and reasonable professional and other charges (including out-of-pocket expenses) for business transacted, time expended or acts done by him or any firm of which he is a partner or by any partner of his in connection with the trusts hereof including acts which a Trustee not being engaged as aforesaid could have done personally.

14. Remuneration of Corporate Trustees

Any Trustee hereof being a corporate body shall be entitled to charge and be paid such proper and reasonable charges and expenses as may from time to time be agreed between such Trustee and the Company without being liable to account for the same and if a trust corporation may unless otherwise agreed act in accordance with its general terms and conditions from time to time in force.

15. Trustees' Interests in the Plan

A person shall not be disqualified from acting as a Trustee hereof or from being a stockholder of or acting as an officer of any body corporate which is for the time being a Trustee hereof by reason of the fact that he is or has been a director or employee of the Parent Company or the Company or any of the Subsidiaries or is or has been a Participant.

16. Trustees' Right to Retire

A Trustee hereof may by giving not less than one month's notice in writing to the Company and the continuing Trustees retire at any time without assigning any reason therefore and without being responsible for any costs occasioned by such retirement.

17. Initial Costs borne by the Company

The costs and expenses of the preparation and execution of this Deed the Rules and any other documents prepared in connection with the establishment or amendment of the Plan shall be borne by the Company or any of its Subsidiaries, in such proportions as may be agreed between them.

18. Costs of Administration of the Plan

The costs and expenses of the management and administration of the Plan (including the necessary and reasonable charges and expenses of any Trustee hereof) incurred during and in respect of any Plan Period shall to the extent that such costs and expenses are not met as described in Rule 15.4 be borne by the Company and the Subsidiaries in proportion to the quantity of Free Shares appropriated to their respective Qualifying Employees in respect of such Plan Period.

19. Company and Subsidiaries to indemnify the Trustees

The Company hereby covenants and each of the Subsidiaries, if any, shall jointly and severally covenant with the Trustees that it or they will pay to the Trustees all expenses incurred by the Trustees in the administration of the Plan and of this Deed and that they will indemnify the Trustees and each of them and each of their heirs and successors in title and each of their estates and effects and keep them indemnified against all claims losses expenses and demands whatsoever which may arise out of or in connection with the trusts of this Deed

and the Plan other than claims, losses, expenses and demands which may arise from their gross negligence, wilful misconduct or lack of good faith or that of their servants or agents.

20. Trustees' Right to Rely on Information Supplied

The Trustees shall be entitled to rely without further enquiry on all information supplied to them by the Company or any Subsidiary for the purposes of the Plan and in particular but without prejudice to the generality of the foregoing: (i) any statement given by the Company or any Subsidiary (as the case may be) in pursuance or purported pursuance of Rule 12.1 shall be conclusive in favour of the Trustees of the eligibility of any person therein named to participate in the Plan and (ii) any written statement signed by a person being or purporting to be a Director or secretary or other duly authorised employee of the Company or of any Subsidiary on behalf of the Company or such Subsidiary (as the case may be) to the effect that any person has ceased to be in the employment of the Company or such Subsidiary shall be conclusive in favour of the Trustees of the matters therein stated.

21. Minimum Number, Appointment and Dismissal of Trustees

21.1. Subject to Clause 12 hereof a body corporate may be a Trustee hereof and may act as sole trustee hereof but subject thereto there shall be not less than three Trustees.

21.2. The power of appointing new or additional Trustees shall be exercisable by Deed by the Company with the prior written approval of the Revenue Commissioners. Should the number of Trustees fall below the number required by this Deed for any reason the Company shall exercise its power to appoint a new Trustee or Trustees as appropriate.

21.3. The Company shall have power without assigning any reason therefore to remove any Trustee hereof with immediate effect by Resolution of the Board and notice in writing to the Trustees for the time being subject however to the requirements of Clause 21.1 hereof as to the minimum number of Trustees.

22. Trustees' General Exoneration from Liability

In the execution of the trusts hereby declared no Trustee shall be liable for any loss arising by reason of any mistake or omission made or occurring in good faith by any of the Trustees hereof or by reason of any other matter or thing except breach of trust occasioned by gross negligence, wilful misconduct or lack of good faith on the part of the trustee who is sought to be made liable or, additionally, in the case of a body corporate which is a Trustee hereof, the gross negligence, wilful misconduct or lack of good faith of any officer, employee or agent of such body corporate. On any Trustee retiring as a Trustee hereof he shall be under no liability whatsoever in relation to the trusts hereof or the Plan for any moneys or other property subject thereto or any matter arising hereunder in relation to the trusts hereof or the Plan or any moneys in relation hereto during the period in which he was a Trustee except in the case of gross negligence, wilful misconduct or lack of good faith on the part of the retiring Trustee or, additionally, in the case of a body corporate which is a Trustee hereof, the gross negligence, wilful misconduct or lack of good faith of any officer, employee or agent of such body corporate.

23. Duration and Winding Up of Trust

23.1. The "Termination Date" for the purposes of this Deed means the date which the Board with the agreement of the Trustees may by deed declare to be the Termination Date, which date may not be earlier than three years from the last preceding Appropriation Date.

23.2. On or after the Termination Date no Original Payment shall be accepted by the Trustees and any remaining assets to which Participants are not beneficially entitled shall:-

23.2.1. be converted into money (if not held as money); and

23.2.2. after satisfaction of any outstanding costs and expenses of the Plan be distributed to the Company and the Subsidiaries in proportion to the Original Payments (if any) made by each of them in respect of the last Plan Period in respect of which Original Payments were made or if none of the Company or the Subsidiaries is then in existence to the Parent Company or if the Parent Company is not then in existence to such charity or charities in such proportions as the Trustees may in their absolute discretion determine.

24. Claims by Participants:

24.1. Any person who is entitled or prospectively entitled to any Shares or benefits under the Plan shall produce such evidence or information as may be reasonably required by the Trustees and until such evidence or information is produced the Trustees may withhold the payment of such Shares or benefits.

25. Evidence of Authority to Act

Except as otherwise provided in this Deed or in the Rules the powers and discretions exercisable by any company in relation to this Deed and the Plan shall be exercisable by resolution of the board of directors of such company and a copy of any such resolution signed or purporting to be signed by the secretary or any director of such company shall be sufficient authority to the Trustees to act thereunder.

26. Subsidiaries

26.1. Any company which is for the time being controlled by the Company within the meaning of Section 432 of the Act may with the consent of the Company and the Trustees and the Revenue Commissioners be and become a party to these presents and the Plan by entering into a Deed agreeing to be bound in all respects by the terms hereof and thenceforth the expression "the Subsidiaries" as defined in the Rules shall include such company.

26.2. Any company which ceases to be controlled by the Company within the meaning of Section 432 of the Act shall ipso facto cease to be a Subsidiary for the purposes of the Plan unless otherwise agreed by the Revenue Commissioners.

26.3. Any Subsidiary may withdraw from the Plan at such time and on such conditions as may be agreed by the Board PROVIDED THAT before agreeing to such withdrawal, the Board shall obtain the advice of the Revenue Commissioners as to whether such withdrawal would cause approval of the Plan to be

withdrawn by the Revenue Commissioners under any provision of the Act.

27. Alteration of Trust Deed

The Company and the Trustees may together at any time by Deed supplemental hereto vary or amend or revoke any of the provisions of this Deed in such manner as may be thought fit PROVIDED THAT:

27.1. such variation or amendment or revocation shall not cause the provisions of this Deed to conflict or be in any way inconsistent with the Rules; and

27.2. no such variation or amendment or revocation shall affect the beneficial interests of Participants in Shares already appropriated to them or purchased on their behalf under the Plan; and

27.3. no such variation or amendment or revocation shall take effect until it has been approved in writing by the Revenue Commissioners.

28. Governing Law

This Deed and the Rules are governed by and shall be construed in accordance with the law of the Republic of Ireland and references in this Deed or the Rules to any statutes or statutory instruments or to any part or parts thereof are references to statutes or statutory instruments of the Republic of Ireland unless otherwise specified.

IN WITNESS WHEREOF the parties hereto have caused their Common Seals to be affixed or set their hands and seals the day and year first before written.

B. RULES OF THE KELLOGG (IRELAND) EMPLOYEE SHARE OWNERSHIP PLAN

PART I

1. Constitution of the Plan

The Plan is constituted by the Trust Deed and these Rules (as amended from time to time).

2. Definitions

In the Trust Deed and these Rules, where the context so permits, the following expressions bear the following meanings:-

"**Act**" means the Taxes Consolidation Act, 1997 and in relation to the Plan any subsequent amendment or re-enactment of Chapter 1 of Part 17 thereof or of Schedule 11 thereto for the time being in force;

"**Appropriation Date**" means in relation to any Plan Period the date on which Shares are appropriated to Qualifying Employees;

"**Available Allocation**" means such funds as are made available for payment by way of Original Payment by the Company and the Subsidiaries or any of them to the Trustees on any occasion for the acquisition of Free Shares under the Plan;

"**Board**" means the Board of Directors for the time being of the Company or the Directors present at a duly convened meeting of such Board of Directors or of a duly appointed committee thereof at which a quorum is present;

"**Capital Receipt**" means a capital receipt as defined in Section 513 of the Act;

"**Company**" means Kellogg Lux 1 S.à r.l. registered in Luxembourg under number B103831 whose registered office is situate at 560A, Rue de Neudorf, L-2220 Luxembourg by whatever name known from time to time;

"**Contract of Participation**" means a contract made between an Eligible Employee and the Company (or any predecessor under the Plan) in such form as the Board may from time to time prescribe whereunder such Eligible Employee is bound to the effect specified in Section 511(4) of the Act as from time to time amended whether or not the Plan is approved within the terms of the Act PROVIDED THAT if and so long as the Plan is approved it shall be in such form as may from time to time be agreed in advance in writing with the Revenue Commissioners;

"**Contributory Plan**" means the Plan set forth in Parts I, II, and IV of this Schedule as from time to time amended;

"**Eligible Earnings**" means in respect of any Eligible Employee and any Plan Period the basic contractual wage or salary of such Eligible Employee (expressed as an annual rate) as at the Qualifying Date in respect of such Plan Period or, if on such day he was not an Employee, as at the last date before such Qualifying Date upon

which he was an Employee or as at the first date after such Qualifying Date upon which he becomes an Employee (excluding in all cases any sums paid or payable in respect of temporary upgrading or overtime working) or any such other basis as may be agreed in writing with the Revenue Commissioners;

"Eligible Employee" means in relation to any Plan Period an Employee who:

a) was an Employee at the Qualifying Date relating to such Plan Period; and

b) is subject to income tax in respect of the office or employment by virtue of which he is an Employee under Schedule E.

PROVIDED THAT in addition "Eligible Employee" shall include such other person as the Board in its absolute discretion shall decide who would be an Eligible Employee but for either or both of the requirements set out in (a) or (b) above subject however in the case of waiver of the requirement set out in (a) above either to the person having been an Employee within the period referred to in Paragraph 12 of Schedule 11 to the Act or to the person becoming an Employee on or before the Appropriation Date in respect of the relevant Plan Period AND PROVIDED FURTHER THAT (i) any such person is not ineligible to become a Participant by virtue of Part 4, Schedule 11 of the Act and (ii) if the Board exercises its discretion to extend eligibility under (a) above it shall do so on similar terms;

"Employee" means a person (including a director holding salaried employment or office) subject to a subsisting contract of employment (whether written or oral, express or implied) with a Participating Company;

"Employee Contribution" means a monetary contribution made pursuant to Rule 5 below by an Eligible Employee for the acquisition of Purchased Shares;

"Fair Market Value" of any Share on any date means the middle market quotation on the dealing day immediately preceding such date of a Share on the New York Stock Exchange converted into Euro at the exchange rate prevailing on such date;

"Free Plan" means the Plan set forth in Parts I, III and IV of this Schedule as from time to time amended;

"Free Shares" means such Shares as have been or are to be appropriated to Qualifying Employees and which are for the time being or are to be held by the Trustees upon and subject to the terms of the Free Plan;

"Group" means the Company and its Subsidiaries, if any;

"Initial Market Value" of each Free Share appropriated to a Participant on any Appropriation Date means unless otherwise agreed with the Revenue Commissioners:

a) if any such Share is acquired by purchase on the New York Stock Exchange within the period of one month ending on such Appropriation Date, the sum derived by aggregating (i) the cost excluding the expenses (if any) of purchase of each such Share acquired by such purchase converted into Euro at the exchange rate prevailing at the time the purchase was effected and (ii) the total value of all other Shares (if any) appropriated to Participants on such Appropriation Date at a price determined in

accordance with part (b) below of this Rule (as may be relevant) and dividing the result by the total number of Shares to be appropriated on such Appropriation Date; or

b) in any other case the Fair Market Value of such Share on the Appropriation Date;

"Original Payment" means any payment from the Company or any of the Subsidiaries to the Trustees in accordance with Rule 12.2;

"Parent Company" means Kellogg Company incorporated in and registered by the State of Delaware in the United States of America whose principal place of business is at One Kellogg Square, Battle Creek 49016 in the State of Michigan in the United States of America;

"Participant" means any person who is beneficially entitled to Free Shares or Purchased Shares and on whose behalf the Trustees are holding any such Shares at any relevant time;

"Participating Company" means the Company and any Subsidiaries;

"Plan" means the Kellogg (Ireland) Employee Share Ownership Plan governed by the Trust Deed and Rules (as amended from time to time);

"Plan Period" means any period of 1 calendar month in respect of which the Plan is operated (or such other period as the Board shall from time to time decide);

"Purchased Shares" means such Shares as have been acquired pursuant to the Contributory Plan or are to be acquired by the Trustees and which are for the time being or are to be held by them upon and subject to the terms of the Contributory Plan;

"Qualifying Date" means in relation to any Plan Period such date falling prior to the commencement thereof as the Board shall specify PROVIDED that such date shall fall no earlier than three calendar months prior to the commencement of such Plan Period;

"Qualifying Employee" means in relation to any Plan Period an Eligible Employee who:

a) has entered into and remains bound by a Contract of Participation; and

b) is not at the Appropriation Date in respect of such Plan Period an individual who would be ineligible to participate in the Plan under Part 4 of Schedule 11 to the Act; and

c) continues to be an Eligible Employee up to and including the Appropriation Date in respect of such Plan Period (save where the Board determines that a person who was an Employee within the period referred to in Paragraph 12 of Schedule 11 to the Act shall be entitled to participate and applies this determination on similar terms);

d) has in respect of that Plan Period made an Employee Contribution and on whose behalf the Trustees hold or are to hold Purchased Shares.

"Release Date" in relation to any of a Participant's Free Shares means the third anniversary of their appropriation to him and in relation to a Participant's Purchased Shares means the third anniversary of their purchase by the Trustees on the Participant's behalf;

"Relevant Entity" means as defined in Rule 19.2;

"Retention Period" means in relation to any of a Participant's Purchased Shares and Free Shares the period beginning on the date on which such Shares were respectively acquired on behalf of or appropriated to, the Participant and ending on the second anniversary of that date or, if it is earlier:

a) the date on which the Participant ceases to be an Employee by reason of injury or disability or on account of his being dismissed by reason of redundancy, within the meaning of the Redundancy Payments Acts 1967 to 2007;

b) the date on which the Participant reaches pensionable age, as defined in Section 2 of the Social Welfare Consolidation Act 2005; or

c) the date of the Participant's death.

"Revised Plan Date" means the date a Deed of Amendment Substitution and Adherence in respect of the Plan was executed;

"Shares" means fully paid common shares of stock of the Parent Company which comply with the requirements of Part 3 of Schedule 11 to the Act and which are acquired or may be acquired by the Trustees to be held by them upon and subject to the terms of the Plan, or, as the context may require, the stock or shares for the time being representing the same in consequence of any company reconstruction;

"Subsidiary" means any subsidiary of the Company which has become a party to the presents of the Trust Deed and Rules and the Plan by entering into a Deed in accordance with the Clause 26.1 of the Trust Deed;

"Tax Release Date" means the third anniversary of the date on which Shares were appropriated to the Participant or such other anniversary specified from time to time for the purpose of Section 511(2) of the Act;

"Trust Deed and Rules" means the trust deed and rules governing the Plan for the time being in force as the same may be amended from time to time;

"Trustees" has the meaning as in the Trust Deed;

"Year of Assessment" has the meaning assigned to it by Section 2 of the Act;

3. **Construction**

3.1 Words denoting the singular number only shall include the plural number also and vice versa except where the context otherwise requires; words importing the masculine gender shall include the feminine gender.

3.2 References to statutes or statutory instruments or to any part or parts thereof include references to the same as from time to time amended or re-enacted.

3.3 This text of the Trust Deed and of these Rules is definitive and in the event of any conflict of meaning arising over any words or constructions therein or in any translation thereof into any other language the common legal usage in the Republic of Ireland of such words or constructions shall prevail.

3.4 In the event that notwithstanding the provisions of Clause 27.1 of the Trust Deed and Rule 23.1 below there arises any conflict or inconsistency between the Trust Deed and these Rules, the Trust Deed shall prevail.

3.5 The headings appearing in the Trust Deed and Rules are intended for convenience only and shall in no way affect their construction.

4. **Commencement and Operation of Plan**

4.1 To the extent that periods of time and/or procedures described in these Rules are inappropriate in respect of any Plan Period the Board shall have the power to substitute such other periods of time and/or procedures as they see fit PROVIDED that the periods specified in the definition of Initial Market Value set out in Rule 2 above shall not be subject to such power.

4.2 Participation in the Plan in respect of any Plan Period is available for all Eligible Employees PROVIDED that participation by each Eligible Employee in the Free Plan shall be conditional upon his participation in the Contributory Plan.

4.3 If the Board decides to operate the Plan in respect of any Plan Period the Board shall at such time as it shall determine on or following the Qualifying Date in respect of that Plan Period communicate in writing with each Eligible Employee (save where an Eligible Employee is already an on-going Plan Participant) and shall:

4.3.1 invite him to participate in the Plan in respect of such Plan Period as more particularly described below

4.3.2 specify the Qualifying Date in respect of such Plan Period; and

4.3.3 issue the communications referred to in Rules 5 and 10 below.

4.4 Any such Employee to whom such written communications as are referred to in Rule 4.3 above are made who shall fail to reply thereto by a date 14 days (or such longer period as the Board shall specify)

after the date of the relevant communication shall be deemed to have declined to participate in the Plan in respect of the relevant Plan Period.

4.5 The Board may by resolution determine to suspend the operation of the Plan and the making of Plan Offers at any time either temporarily or permanently at its absolute discretion, but such suspension shall not affect Free Shares already appropriated or Contributory Shares already purchased under the Plan.

PART II

The Contributory Plan

5. Participation in the Contributory Plan

5.1 In respect of each Plan Period for which the Plan is operated, the Board shall invite each Eligible Employee to participate in the Contributory Plan by paying or procuring the payment of an Employee Contribution to the Trustees in cash in such amount and in such manner (subject to the limitations and other provisions set out in or specified pursuant to Rule 6) as will enable the Trustees to acquire Shares on his behalf pursuant to Rule 8 and thereafter directing the Trustees to hold all such Shares so purchased upon and subject to the terms of the Contributory Plan (save where an Eligible Employee is ~~already an ongoing Plan Participant~~).

5.2 Qualifying Employees who participate in the Plan for any Plan Period shall continue to participate in the Contributory Plan until they otherwise notify the Company in which event their participation will cease from the end of the Plan Period during which notice was given (provided notice is received form the Qualifying Employee at least 10 days before the end of the Plan Period).

6. **Limitations upon Participation in the Contributory Plan**

6.1 The maximum value of an Employee Contribution which may be made by any Eligible Employee in any Plan Period shall be such sum as does not exceed 3.5 per cent of such proportion of his Eligible Earnings net of tax as the Plan Period bears to a calendar year PROVIDED THAT the aggregate of such excess and such 3.5 per cent as aforesaid shall not exceed 7.5 per cent of the Eligible Employee's Eligible Earnings.

6.2 The minimum Employee Contribution which must be made by every Eligible Employee or Qualifying Employee wishing to participate in respect of any Plan Period is €10 per Plan Period (unless otherwise determined by the Board) provided always that the minimum amount specified cannot exceed the lesser of €127 or 1% of Eligible Earnings per calendar year or such other amount set by the Revenue Commissioners from time to time.

6.3 If an Employee Contribution is of a sum which, when applied in the acquisition of Shares, is not such as will acquire exactly a whole number of Shares, the Employee Contribution shall be adjusted as follows or in such other manner as shall have been agreed by the Board, the Trustees and the Revenue Commissioners in writing. If the Employee Contribution is of an amount such as will acquire a whole number of Shares plus a fraction of a Share, the amount of the Employee Contribution as is applied in the acquisition of Shares shall be reduced to such amount as will acquire the whole number of Shares as aforesaid and the Eligible Employee's Employee Contribution (if any) in the following Plan Period shall be increased by such amount as is retained by the Trustees pursuant to Rule 8.4 below as has resulted from the adjustment set out in this paragraph (provided that the maximum Employee Contribution in any Plan Period cannot exceed the maximum set out in Rule 6.1).

7. **Invitations to Participate in the Contributory Plan**

7.1 Invitations issued pursuant to Rule 5 above shall:

7.1.1 specify the latest date by which replies thereto must be returned;

7.1.2 require undertakings to be given embodying the restrictions referred to in Rule 9 below; and

7.1.3 refer to the limits set out in or imposed pursuant to Rules 6.1 and (if any) 6.2 above.

7.2 Participation by any Eligible Employee in the Contributory Plan in any Plan Period shall be conditional upon such Eligible Employee:

7.2.1 delivering to the Company by the date specified under Rule 7.1.1 an acceptance of the invitation referred to in Rule 5 above in such form as the Board shall from time to time determine (save where an Eligible Employee is already an ongoing Plan Participant);

7.2.2 delivering with such acceptance all (if any) necessary consents of authorities under enactments or regulations for the time being in force to the intent that it shall be the responsibility of the Eligible Employee concerned to comply with any requirements to be fulfilled in order to obtain or obviate the necessity for any such consent; and

7.2.3 complying in all other respects with these Rules.

8. Acquisition of Purchased Shares

8.1 Employee Contributions made by Eligible Employees pursuant to Rule 5 shall be applied by the Trustees, as nominees for such Eligible Employees, only in the acquisition of Shares subject to and in accordance with the provisions of this Rule 8.

8.2 The acquisition of Shares by the Trustees shall be effected by purchase of outstanding Shares on the New York Stock Exchange as soon as practicable following receipt of Employee Contributions and Shares shall be purchased in US dollars, converted to Euro at prevailing exchange rates. Such Shares as are acquired by the Trustees by the application of Employee Contributions shall be vested in the name of the Trustees (or their nominee or custodian) to be held by them on behalf of Eligible Employees as Purchased Shares upon and subject to the terms of the Contributory Plan.

8.3 As soon as practicable following acquisition by the Trustees of Purchased Shares the Trustees shall make available to each Eligible Employee (or in the case of an Eligible Employee who has died, his legal personal representatives) via a web portal or otherwise, the number of Shares so acquired on his behalf and the aggregate cost thereof.

8.4 The Trustees shall, to the extent that an Eligible Employee's Employee Contribution in respect of a Plan Period exceeds the aggregate cost of acquisition of his respective Purchased Shares, retain such excess (with no obligation to invest the same) and the Eligible Employee's Employee Contribution (if any) in the following Plan Period shall be increased by such amount (provided that the maximum Employee Contribution in any Plan Period cannot exceed the maximum set out in Rule 6.1) and

provided that any such excess funds held by the Trustees for an Eligible Employee after the final appropriation is made in any tax year shall be repaid to him by addition to his net pay before the end of the tax year in which such funds were contributed.

8.5 Where Shares acquired by the Trustees consist partly of Shares which carry a right to receive a dividend and partly of Shares which do not or otherwise consist of Shares the rights in respect of which are not identical, the Trustees shall allocate the Shares carrying the right to receive a dividend and the Shares which do not and the Shares in respect of which the rights are not identical proportionately (so far as is practicable) amongst all the Eligible Employees who have made Employee Contributions as aforesaid.

8.6 Stamp duty and other expenses incurred by the Trustees in acquiring Purchased Shares on Eligible Employees' behalf (other than the purchase price of such Purchased Shares) shall be borne by the Company (and paid to the Trustees in advance of purchase) as an expense of administering the Plan.

9. Restrictions affecting Purchased Shares

Subject to Rule 17 a Participant shall permit his Purchased Shares to remain registered in the name of the Trustees (or their nominee or custodian) and shall not assign, charge or otherwise dispose of his beneficial interest therein during the Retention Period relating to those Purchased Shares.

PART III

The Free Plan

10. Participation in the Free Plan

10.1. In respect of any Plan Period for which the Plan is operated, the Board shall, at the same time as despatching the invitations referred to in Rule 5 above, communicate in writing with each Eligible Employee and shall invite him to enter into a Contract of Participation in such form as shall have been prescribed by the Board under which the Eligible Employee agrees to accept participation in the Free Plan subject to and in accordance with the provisions of the Free Plan (save where an Eligible Employee is already an on-going Plan Participant and has already completed a Contract of Participation).

10.2. The communication referred to in Rule 10.1 shall specify the date by which replies thereto must be returned (which date shall be the same date as is specified pursuant to Rule 7.1.1.)

10.3. Participation by any Eligible Employee in the Free Plan shall be conditional upon such Eligible Employee:

10.3.1. participating in and complying with the Rules of the Contributory Plan;

10.3.2. entering into a Contract of Participation and delivering the same to the Company by the date specified under Rule 10.2 (save where an Eligible Employee has already completed a Contract of Participation);

10.3.3. delivering with such Contract of Participation all (if any) necessary consents of authorities under enactments or regulations for the time being in force to the intent that it shall be the responsibility of each Eligible Employee concerned to comply with any requirements to be fulfilled in order to obtain or obviate the necessity for any such consent; and

10.3.4. complying in all other respects with these Rules.

10.4 Qualifying Employees who participate in the Plan for any Plan Period shall continue to participate in the Contributory Plan and the Free Plan until they otherwise notify the Company in accordance with Rule 5.2.

11. Funding of the Free Plan

Subject to Rule 20.1 below, the aggregate amount of Original Payments paid to the Trustees by the Company and the Subsidiaries in respect of any Plan Period shall be such sum as will enable the Trustees to appropriate such number of Free Shares as is equal to the number of Purchased Shares as are acquired or to be acquired with the aggregate of Employee Contributions in respect of that Plan Period.

12. Payments and Notifications to the Trustees

12.1 As soon as practicable following the date by which Eligible Employees are required to have replied to the communications referred to in Rules 5 and 10.1 above in respect of any Plan Period, the Company and the Subsidiaries shall ensure that the Trustees are advised of the identities of those Eligible Employees who are entitled to participate in respect of any Plan Period and of the Employee Contribution to which each of them has agreed.

12.2 On or before the Appropriation Date in respect of any Plan Period each of the Company and the Subsidiaries shall, subject to Rule 20.1, pay on demand to the Trustees an Original Payment, being such proportion of the aggregate of Original Payments mentioned in Rule 11 above as is required by the Trustees to acquire such number of Free Shares as is equal to the number of Purchased Shares as are acquired or to be acquired in respect of that Plan Period with the aggregate of Employee Contributions made by the Eligible Employees of the Company making such Original Payment.

13. Application of the Original Payments

Subject to the limitations set out in Rule 14 below the Trustees shall apply the Original Payments in the purchase of outstanding Shares on the New York Stock Exchange as soon as practicable after notice of the purchase has been notified to the Trustees.

14. Allocation of Free Shares

14.1 Subject to an individual maximum calculated in accordance with Rule 14.2, each Qualifying Employee shall have appropriated to him in any Plan Period such number of Free Shares as is equal to the number of Purchased Shares acquired on behalf of such Qualifying Employee in respect of that Plan Period.

14.2 The maximum number of Free Shares appropriated to any Qualifying Employee in any single Year of Assessment shall be such that the total of the Initial Market Value shall not exceed the limit set out in Part 2 of Schedule 11 to the Act or any amendment or re-enactment thereof.

15 Appropriation of Free Shares

15.1 Free Shares acquired by the Trustees under Rule 13 above, together with any other Shares available for appropriation shall be appropriated by the Trustees as soon as practicable (but in no event earlier than the date upon which Purchased Shares in respect of which the Free Shares are to be appropriated have been vested in the Trustees) to Qualifying Employees in accordance with Rule 14 above.

15.2 Where Shares acquired by the Trustees for appropriation as Free Shares on an Appropriation Date consist partly of Shares which carry a right to receive a dividend and partly of Shares which do not or otherwise consist of Shares the rights in respect of which are not identical, the Trustees shall appropriate the Shares carrying the right to receive a dividend and the Shares which do not and the Shares in respect of which the rights are not identical proportionately (so far as is practicable) amongst all Qualifying Employees on such Appropriation Date.

15.3 As soon as practicable after any Appropriation Date the Trustees shall make available to each of the Participants (or in the case of a Participant who has died after the Appropriation Date his legal personal representatives) via a web portal or otherwise, (in such form as the Board shall from time to time prescribe) details of the number, description and Initial Market Value of Free Shares appropriated to him and of the Appropriation Date.

15.4 Any balance of Original Payments not applied in the acquisition of Free Shares held by the Trustees after the Appropriation Date shall be used by them to defray their expenses in connection with the Plan and the remainder, if any, may be used to acquire Shares which together with any unappropriated Free Shares held by the Trustees may be dealt with by them in accordance with Rule 15.5 and/or included on the Appropriation Date immediately following their acquisition in the total amount of Free Shares available for appropriation referred to at Rule 15.1 above.

15.5 The Trustees may at their absolute discretion sell for the best consideration in money reasonably attainable any unappropriated Free Shares (or Shares acquired under Rule 15.4 and/or Rule 16.2) and may at their absolute discretion use the proceeds of such sale to defray their expenses in connection with the Plan and/or refund the sale proceeds to the Participating Companies in such appropriate proportions as the Trustees determine.

PART IV

General

16. Dividends and Capital Receipts

16.1. Subject to their obligations, if any, in respect of the Free Shares only under any such direction as is referred to in Section 513(3) of the Act (relating to rights issues), any money or money's worth received by the Trustees in respect of or by reference to Free Shares or Purchased Shares appropriated to or held on behalf of Participants (other than money's worth consisting of new shares within the meaning of Section 514 of the Act or money consisting of a sum deducted by the Trustees from the proceeds of a sale or paid to the Trustees in connection with a transfer in either case in pursuant of Rule 17.2 below) shall be paid to the relevant Participants on whose behalf the said shares are being held, in accordance with the provisions of the Act PROVIDED that:

16.1.1. if any dividend less any United States tax which may already have been deducted from the gross amount of such dividend is received by the Trustees in respect of any Free Shares or Purchased Shares appropriated to or held by them on behalf of any Participant, the Trustees shall pay the aggregate of such net amount, less any applicable Irish Encashment Tax, to the related Participants at such time or times as the Trustees may think fit but in no event later than the last day of the Year of Assessment in which they are received by the Trustees and shall not be obliged to invest any monies held by them pending distribution to Participants; and

16.1.2. if any money is received by the Trustees in respect of or by reference to Free Shares or Purchased Shares appropriated to or held on behalf of Participants and, having been paid out or retained where a current address is unavailable, remains uncashed, such money shall be placed by the Trustees in a bank account and the Trustees shall not be liable for any loss due to depreciation in value or otherwise.

16.2. Any money or money's worth received by the Trustees in respect of or by reference to unappropriated Free Shares shall be applied by them to defray their expenses in connection with the Plan and the remainder, if any, shall be retained by them to meet future expenses or applied in the acquisition of Shares which may at the Trustee's discretion be dealt with by them in accordance with Rule 15.5 and/or included on the Appropriation Date immediately following such acquisition in the total amount of Free Shares available for appropriation referred to in Rule 15.1 above and any rights associated with any unappropriated Free Shares may be exercised and dealt with by the Trustees in their absolute discretion provided that any additional shares or cash received by the Trustees in respect of or on account of unappropriated Free Shares shall be dealt with by them in accordance with Rule 15.4 and Rule 15.5, which Rules shall be deemed to apply thereto mutatis mutandis.

16.3 If the Trustees become entitled to receive any securities or other rights in respect of their holding of a Participant's Shares, the Trustees shall allocate such securities or other rights concerned on a proportionate basis and rounding fractional entitlements up or down as they deem appropriate.

17. Participants' Control over Free Shares and Purchased Shares

17.1 Disposals of Free Shares and Purchased Shares appropriated to or held on behalf of a Participant by the Trustees must comply with the obligations imposed on Participants in respect of Free Shares by their Contract of Participation and in the case of Purchased Shares by the undertakings given pursuant to Rule 9 above but a Participant may give a direction to the Trustees permitted by Section 511(6)(a), (b) and (c) of the Act (relating to permitted offers and other schemes of arrangement) which provisions apply to Free Shares and shall, by virtue of this Rule 17.1, be deemed to apply mutatis mutandis to Purchased Shares.

17.2 Subject to any applicable security or exchange control requirements (in the Republic of Ireland) a Participant may direct the Trustees, at any time after the end of the Retention Period:

17.2.1 to sell his Free Shares and Purchased Shares on his behalf for the best consideration in money that can reasonably be obtained at the time of the sale; and

17.2.2 to transfer the ownership of his Free Shares and Purchased Shares to him subject, in the case of transfer of Free Shares before the Tax Release Date applicable thereto, to payment to the Trustees before the transfer takes place of an amount equal to income tax at the standard rate determined as stated in Section 511(4)(c) of the Act.

17.3 While Free Shares or Purchased Shares acquired prior to the Revised Plan Date are registered in the names of the Trustees (or their nominee or custodian) they may, in respect of any matter upon which the Trustees are entitled to exercise any voting rights that may attach thereto, refrain from voting unless as a result of an opportunity which shall be afforded by the Trustees, the related Participants direct the Trustees as to the exercise of such voting rights. Where Free Shares and Purchased Shares acquired after the Revised Plan Date are registered in the names of the Trustees (or their nominee or custodian):-

17.3.1 the Trustees shall seek participant directions regarding the exercise of voting rights and shall vote in accordance with any such direction received; and

17.3.2 where the Trustees have sought a voting direction from a Participant and none has been received by the Trustees before the deadline specified by them for the return of directions, the Trustees shall vote the relevant Shares in accordance with the recommendations of the board of the Parent Company.

17.4 Free Shares and Purchased Shares held by the Trustees at the Release Date applicable thereto shall continue to be held by the Trustees on the terms of the Plan (which shall apply mutatis mutandis) until whichever is the earlier of the following events:

17.4.1 a request from the relevant Participant that the Free Shares and/or Purchased Shares be transferred or sold;

17.4.2 a decision of the Trustees that the Free Shares and/or Purchased Shares be transferred to the relevant Participant or to another nominee to be held for the Participant;

17.4.3 the termination of employment of the relevant Participant with the Company or any company associated with the Company (otherwise than by reason of retirement or in such other circumstances as the Trustees in their absolute discretion may from time to time determine); or

17.4.4 the death of the relevant Participant

and thereupon the Trustees shall act to procure that such Free Shares and/or Purchased Shares (as the case may be) are sold or transferred to such Participant (or if deceased vested in his legal personal representatives) or if so directed by such Participant transferred to his nominee or in the case of Rule 17.4.2 transferred to a new nominee as appropriate. During any period after the Release Date that Free Shares or Purchased Shares are held by the Trustees or any other nominee for a Participant such shares may be transferred into such stock account as the Trustees or nominee deems appropriate and in respect of Free Shares or Purchased Shares acquired after the Revised Plan Date where a Participant has not complied with the Trustees' requests for information or documentation to effect a sale or transfer of Shares under this Rule 17.4, any fees in relation to such account shall be the responsibility of the Participant and may be deducted from his account (including by the sale of any Shares to meet relevant expenses).

17.5 Any stamp duty or other expenses payable on any transfer of Purchased Shares or Free Shares by the Trustees to the Participant (or his legal representatives) entitled thereto shall be payable by the Company as an expense of administering the Plan. Any commission or other expenses payable on any sale of Purchased Shares or Free Shares shall be payable by the Participant (or his legal personal representatives) entitled thereto and shall be deducted from the proceeds of such sale (if not already so deducted by the agent or broker through whom such sale was effected).

18. Participants' Entitlements in Capitalisations and Rights Issues

18.1 In the event of an issue by the Parent Company of further stock or shares by way of capitalisation of profits or reserves or otherwise any stock or shares so issued and attributable to any Free Shares and Purchased Shares appropriated to or held on behalf of Participants and all fractional entitlements shall be held by the Trustees upon the same terms and conditions as the Free Shares and Purchased Shares in respect of which they were issued, subject in the case of Free Shares, to the terms of Sections 512, 513 and 514 of the Act and the Trustees shall so far as practicable appropriate the stock or shares so issued to the Participants pro rata according to the amount of Free Shares and Purchased Shares appropriated to or held on behalf of each Participant (rounding fractional entitlements up and down as they deem appropriate).

18.2 In the event of the Parent Company making an offer or invitation conferring any rights upon its members to acquire against payment additional stock, shares, securities or rights of any description in the Parent Company the Trustees shall seek a direction from each Participant concerning the exercise or sale of any such rights attributable to that Participant's Free Shares and Purchased Shares and shall comply with any such direction received by the Trustees by any deadline specified by them PROVIDED

that the Trustees shall not be required to exercise any such rights except to the extent that they have been provided in full with any amount payable on such exercise by the Participant concerned not later than such time as the Trustees shall have specified (and being before the latest time for acceptance of such rights) AND FURTHER PROVIDED that the Trustees shall not be obliged to account to any Participant in respect of any amount of less than one Euro in respect of the sale of all or part of any such rights. In the absence of any direction from a Participant which is received by the Trustees by the latest time specified by them for their receipt of directions the Trustees will take no action in respect of such offer or invitation. Subject to the Act, (in the case of rights attaching to Free Shares only) any securities taken up by the Trustees on behalf of a Participant under this Rule shall form part of that Participant's Free Shares or Purchased Shares (as the case may be) and shall be deemed to have been appropriated to him or acquired on his behalf and vested in the Trustees at the same time as the Participant's Free Shares or Purchased Shares to which they relate.

19. **Notices**

19.1 Any notice given by an Eligible Employee, a Qualifying Employee or a Participant to the Trustees, the Parent Company, the Company or any Subsidiary must be given in writing and signed by him or his personal representatives and shall be acted upon by the relevant party as soon as practicable after received PROVIDED that the Trustees may in their absolute discretion act on instructions given or purporting to be given by e-mail, facsimile, cablegram or telex message and shall not be responsible for any loss whatsoever occasioned by so acting. Any notification or other notice required to be given to the Parent Company, the Company, a Subsidiary or the Trustees shall be properly given if delivered to the secretary of the Parent Company or the Company or the Subsidiary concerned (as the case may be) or in the case of the Trustees to such address (including e-mail address, if any) as shall from time to time be notified to all Eligible Employees and Participants.

19.2 Any notification or other notice which the Trustees, the Parent Company, the Company or any Subsidiary (the **Relevant Entity**) is required to give or may desire to give to any Eligible Employee, Qualifying Employee or Participant in pursuance of this Plan shall be sufficiently given if forwarded to him with his earnings, or if delivered to him personally or sent by electronic mail to his electronic mail address as shown in the Relevant Entity's records for the time being or sent by pre-paid post addressed to him at his address last known to the Relevant Entity or at his place of work. Any notification, document, or other communication so given, made, or sent to an Eligible Employee, Qualifying Employee or Participant shall be deemed to have been duly delivered notwithstanding that he is then dead (and whether or not the Relevant Entity has notice of his death) except where his personal representatives have established their title to the satisfaction of the Relevant Entity and supplied to the Relevant Entity an address to which documents are to be sent. The Relevant Entity shall not have any liability whatsoever to an Eligible Employee, Qualifying Employee or Participant in respect of any notification, document, payment or other communication given, sent, or made in accordance with this Rule 19.2 nor will the Relevant Entity be concerned to see that any Eligible Employee, Qualifying Employee or Participant actually receives the same.

19.3 No notification concerning the acquisition cost of Purchased Shares or the Initial Market Value of Free Shares given by the Trustees, the Parent Company, the Company or any Subsidiary under these Rules

or otherwise shall be or be taken as an agreement representation warranty or undertaking as to the amount to be paid or transferred to any Participant on the realisation of any such Shares appropriated to such Participant or that such Shares if sold on the open market value would realise any particular value. Accordingly any such notification shall be given without any liability whatsoever on the part of the person giving it.

20. Discretionary Nature of Payments

Notwithstanding any provision of any other of these rules whatsoever:

20.1. Payments under the Free Plan shall be entirely at the discretion of the Company or the Subsidiary as the case may be. The Plan shall not form any part of any contract of employment between the Company or any Subsidiary and any Employee, and the existence of the Plan shall not confer on Employees any legal or equitable rights whatsoever against the Parent Company or the Company or any Subsidiary, directly or indirectly, or give rise to any cause of action at law or in equity against the Parent Company or the Company or any Subsidiary.

20.2. The benefits to Employees under the Plan shall not form any part of their wages or remuneration or count as pay or remuneration for pension fund or other purposes.

20.3. In no circumstances whatsoever shall any Employee ceasing to hold the office or employment by virtue of which he is or may be eligible to participate in the Plan be entitled to any compensation for any loss of any right or benefit or prospective right or benefit under the Plan which he might otherwise have enjoyed whether such compensation is claimed by way of damages for unfair or wrongful dismissal or other breach of contract or by way of compensation for loss of office or otherwise howsoever.

21. Powers of Board

21.1 In the event of any dispute relating to the Plan the decision of the Board shall be final and conclusive.

21.2 Subject to the provisions of Rule 22 and to the Act, the Board may make in consultation with the Trustees such administrative arrangements for the operation of the Plan as they shall think fit.

22. Trustees' Responsibility to Administer the Plan

22.1 The Trustees shall administer the Plan in accordance with the Trust Deed and Rules and the Act.

22.2 In administering the Plan and in relation to any Free Shares or Purchased Shares held by them on behalf of any Participant the Trustees shall:

22.2.1 not dispose of any such Shares except in a manner permitted by Section 511(6)(a), (b) and (c) of the Act, during the Retention Period (whether by transfer to such Participant or otherwise);

22.2.2 not dispose of any such Shares after the end of the Retention Period except in accordance with Rules 17.2 and 17.4;

22.2.3 subject, in respect of Free Shares only, to their obligations, if any, under Section 516 of the Act and to any such direction as is referred to in Section 513(3) of the Act and to Rule 17.2, pay over to such Participant any money or money's worth received by the Trustees in respect of or by reference to any Free Shares or Purchased Shares, other than money's worth consisting of new shares within the meaning of Section 514 of the Act or money consisting of a sum referred to in Section 511(4)(c) of the Act;

22.2.4 deal only pursuant to a direction given by or on behalf of such Participant (or his legal personal representatives) with any right (conferred in respect of any of such Shares) to be allotted other shares, securities or rights of any description;

22.2.5 maintain such records as may be necessary to enable the Trustees to carry out their obligations under Chapter 1 of Part 17 of the Act;

22.2.6 make available to Participants, the Parent Company, the Company and the Subsidiaries on reasonable notice and to the Revenue Commissioners such information relevant to such persons in connection with the Plan as such persons may reasonably require;

22.2.7 where a Participant becomes liable to income tax under Schedule E by reason of the occurrence of any event in relation to the Free Plan, inform him of any facts relevant to determining that liability.

23. Amendment of the Rules

23.1. The Board may at any time by resolution modify or vary these Rules but so that:

23.1.1. no such modification or variation shall cause these Rules to conflict or be in any way inconsistent with the Trust Deed;

23.1.2. in respect of Shares acquired under the Plan before the Revised Plan Date no such modification or variation shall abrogate or modify the rights of any Participant in respect of any Original Payment made or Shares appropriated or acquired prior to such resolution;

23.1.3. no such modification or variation unless made with the written consent of the Trustees shall be effective to impose on the Trustees any obligations more onerous than their obligations under the Trust Deed and these Rules prior to such modification or variation;

23.1.4. no such modification or variation shall alter the Plan in such manner as to cause approval to be withdrawn by the Revenue Commissioners under Schedule 11 to the Act;

23.1.5. no such modification or variation shall take effect until it has been approved in writing by the Revenue Commissioners

24. Governing Law

These Rules are governed by and shall be construed in accordance with the law of the Republic of Ireland and

reference in these Rules to any statutes or statutory instruments or to any part or parts thereof are references to statutes or statutory instruments of the Republic of Ireland unless otherwise specified.

25. Error or Omission

If as a result of an error or omission:-

25.1. the Company or any Subsidiary fails to make a payment or a sufficient payment to or on behalf of the Trustees pursuant to the provisions hereof; or

25.2. a person who qualified as an Eligible Employee should have been given the opportunity to participate in the Plan by having Shares appropriated to him on any occasion was not given the opportunity to participate; or

25.3. the number of Shares appropriated to any person on any occasion is found to be incorrect; or

25.4. the Trustees and/or their agents failed to deliver Shares or repay monies to any Participant in accordance with the procedures set out herein

and such errors or omissions cannot be corrected within the relevant periods specified in the Trust Deed and these Rules, the Company, the relevant Subsidiary and the Trustees may do all such acts and things as may be agreed with the Revenue Commissioners to deal with the error or omission notwithstanding that such actions may fall outside the time limits provided by, or otherwise conflict with or differ from the other provisions of the Trust Deed and Rules.

IN WITNESS WHEREOF this Deed has been duly executed by the parties hereto the day and year first herein written:

GIVEN UNDER
THE COMMON SEAL of the
KELLOGG COMPANY OF IRELAND LIMITED
in the presence of:

GIVEN UNDER
THE COMMON SEAL of
KELLOGG LUX 1 SARL
in the presence of:

GIVEN UNDER
THE COMMON SEAL OF
GOODBODY TRUSTEES LIMITED
in the presence of:

Roderick Buckley
Director, Goodbody Trustees Limited
J. M. Fletcher
Director, Goodbody Trustees Limited.

GIVEN UNDER
THE COMMON SEAL OF
KELLOGG EUROPE TRADING LIMITED
in the presence of:

GIVEN UNDER
THE COMMON SEAL OF
KELLOGG EUROPE TREASURY SERVICES LIMITED
in the presence of:

IN WITNESS WHEREOF this Deed has been duly executed by the parties hereto the day and year first herein written:

GIVEN UNDER
THE COMMON SEAL of the
KELLOGG COMPANY OF IRELAND LIMITED
in the presence of:

~~GIVEN UNDER~~
~~THE COMMON SEAL of~~
~~**KELLOGG LUX 1 SARL**~~
~~in the presence of:~~

Kellogg Lux I S.à R.l.
By:
Title:

GIVEN UNDER
THE COMMON SEAL OF
GOODBODY TRUSTEES LIMITED
in the presence of:

GIVEN UNDER
THE COMMON SEAL OF
KELLOGG EUROPE TRADING LIMITED
in the presence of:

GIVEN UNDER
THE COMMON SEAL OF
KELLOGG EUROPE TREASURY SERVICES LIMITED
in the presence of

IN WITNESS WHEREOF this Deed has been duly executed by the parties hereto the day and year first herein written:

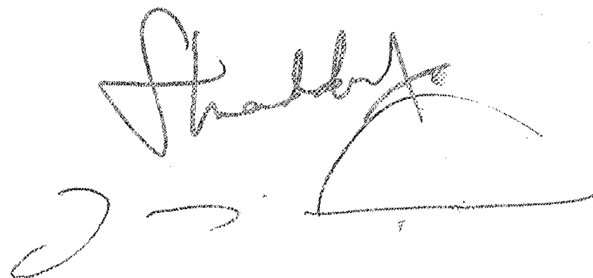
GIVEN UNDER
THE COMMON SEAL of the
KELLOGG COMPANY OF IRELAND LIMITED
in the presence of:

~~GIVEN UNDER
THE COMMON SEAL of
KELLOGG LUX 1 SARL
in the presence of:~~

Kellogg Lux I S.à R.l.
By:
Title:

GIVEN UNDER
THE COMMON SEAL OF
GOODBODY TRUSTEES LIMITED
in the presence of:

GIVEN UNDER
THE COMMON SEAL OF
KELLOGG EUROPE TRADING LIMITED
in the presence of:



GIVEN UNDER
THE COMMON SEAL OF
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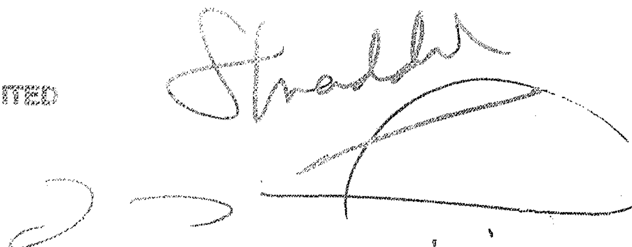

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KELLOGG COMPANY OF IRELAND LIMITED
in the presence of:

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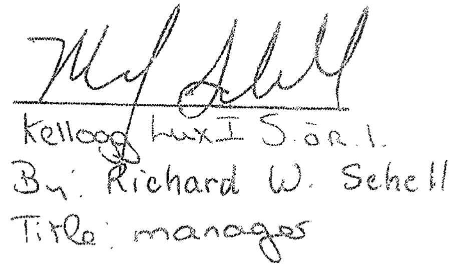
in the presence of:



GIVEN UNDER
THE COMMON SEAL OF
GOODBODY TRUSTEES LIMITED
in the presence of:

GIVEN UNDER
THE COMMON SEAL OF
KELLOGG EUROPE TRADING LIMITED
in the presence of:

GIVEN UNDER
THE COMMON SEAL OF
KELLOGG EUROPE TREASURY SERVICES LIMITED
in the presence of:

DATED 7th day of January 2011

KELLOGG EUROPE TRADING LIMITED

First Part

GOODBODY TRUSTEES LIMITED

Second Part

CAPITA CORPORATE TRUSTEES LIMITED

Third Part

THE KELLOGG EUROPE TRADING LIMITED
EMPLOYEE SHARE PURCHASE PLAN

DEED OF RETIREMENT

AND

APPOINTMENT OF TRUSTEE

A&L GOODBODY

THIS DEED is made the 7th day of **January 2011**

BETWEEN

(1) **KELLOGG EUROPE TRADING LIMITED** a company registered in Ireland with registered number 387390 whose registered office is situated at Suite 3, One Earlsfort Centre, Lower Hatch Street, Dublin 2 (hereinafter called **the Company**) of the first part; and

(2) **GOODBODY TRUSTEES LIMITED** a company registered in Ireland with registered number 118057 whose registered office is situated at International Financial Services Centre, North Wall Quay, Dublin 1(hereinafter called **the Retiring Trustee**) of the second part; and

(2) **CAPITA CORPORATE TRUSTEES LIMITED** a company registered in Ireland with registered number 312941 whose registered office is situated at Unit 5, Manor Street Business Park, Manor Street, Dublin 7 (hereinafter called **the New Trustee**) of the third part.

THIS DEED is supplemental to:

A. A trust deed and rules dated 20 December 2004 (hereinafter called **the Trust Deed and Rules**) whereby the Company established the Kellogg Europe Trading Limited Employee Share Purchase Plan (hereinafter called **the Plan**) which was then approved in accordance with the provisions of Chapter 1 of Part 17 and Schedule 11 of the Taxes Consolidation Act, 1997 (as amended).

WHEREAS:

A. The Retiring Trustee was appointed to be the original trustee of the Plan and is the current trustee of the Plan.

B. The Retiring Trustee now wishes to retire from the trusts of the Plan and the Company wishes to remove the Retiring Trustee as such and wishes to appoint the New Trustee in place of the Retiring Trustee (having received the prior written approval of the Revenue Commissioners for such purpose) in accordance with its powers under Clause 22 of the Trust Deed and Rules as hereinafter appears.

NOW THIS DEED WITNESSES and it is hereby agreed and declared as follows:

1. The Retiring Trustee hereby retires and is hereby removed as trustee from the trusts of the Plan and is hereby discharged from its duties as trustee of the Plan, such retirement and discharge to take effect on the date of this deed (the **Effective Date**) and the Retiring Trustee and the Company hereby agree and confirm that the notice requirements of the Trust Deed and Rules regarding the retirement of Trustees have been and shall be deemed to have been fulfilled.

2. The Company in the exercise of the powers conferred on it under the Trust Deed and Rules hereby appoints the New Trustee as trustee of the Plan and the New Trustee hereby consents to act accordingly, such appointment to take effect from the Effective Date.

3. All the property now subject to the trusts of the Plan (hereinafter called **the Trust Fund**) and capable of being vested by this declaration shall forthwith vest in the New Trustee as the Trustee of the Plan

ought to be held under the Trust Deed and Rules. The Retiring Trustee hereby agrees to do all such things as shall be necessary to transfer the Trust Fund into the name of the New Trustee.

4. The New Trustee and the Company shall jointly and severally indemnify and keep the Retiring Trustee indemnified against any actions, proceedings, costs, claims, liabilities, damages and demands that may be suffered or incurred by or made against the Retiring Trustee on or after the Effective Date in connection with the execution of the trusts and powers of the Trust Deed and Rules prior to the Effective Date, provided that:

4.1. such indemnity will apply only to the extent that the Retiring Trustee would have been entitled to recourse for the same to the Trust Fund and/or the Company prior to the Effective Date under the Trust Deed and Rules in force at the date hereof; and

4.2 such indemnity will apply to the New Trustee only to the extent that the New Trustee has recourse to the Trust Fund and/or the Company in accordance with the provisions of the Trust Deed and Rules and is entitled to recover therefrom an amount equivalent to any monies required to be paid pursuant to this indemnity; and

4.3 such indemnity will apply only to the extent that the Retiring Trustee is not otherwise reimbursed or indemnified for the same.

5. The Company shall indemnify and keep the Retiring Trustee indemnified against any actions, proceedings, costs, claims, liabilities, damages and demands that may be suffered or incurred by or made against the Retiring Trustee on or after the date of retirement arising out of any action or omission by Prudential Trustee Company Limited (including by its employees, officers and agents) in its capacity as administrator of the Plan.

6. Any claim made against the Retiring Trustee which is covered by the indemnities in clause 4 or clause 5 above shall be immediately notified in writing by the Retiring Trustee to the New Trustee and the Company (as appropriate), and the Retiring Trustee shall co-operate fully with the New Trustee and the Company (as appropriate) regarding any such claim and no claim shall be settled or compromised by the Retiring Trustee without the prior consent of the New Trustee (with respect to the indemnity at clause 4) and the Company (with respect to the indemnities at clauses 4 and 5). The Retiring Trustee shall be obliged to take reasonable steps to mitigate any loss which may arise in respect of a matter giving rise to a claim under the above indemnities.

7. The Retiring Trustee warrants to the New Trustee and the Company that, to the best of its knowledge information and belief, no litigation by a participant in the Plan is on-going against the Retiring Trustee or has been threatened against it by such a participant which is likely to result in the Retiring Trustee invoking the indemnities in clauses 4 and 5.

8. The Retiring Trustee is entitled to receive from the Company any outstanding fees for acting as trustee in respect of the Plan as provided by the Trust Deed and Rules and apportioned on a daily basis to the date of retirement, and to be reimbursed by the Company in respect of all out of pocket expenses properly incurred by it prior to the date of retirement in execution of its duties thereunder.

9. The benefit of this deed may not be assigned by any party without the written consent of the other parties.

10. For the avoidance of doubt, the Trust Deed and Rules shall continue in full force and effect in accordance with their terms.

11. Unless the context otherwise admits or requires, capitalised terms not defined in this deed shall bear the same meaning as in the Trust Deed and Rules.

12. This deed may be executed by more than one counterpart, and by the parties to it on separate counterparts, but shall not be effective until each party has executed at least one counterpart, with the same effect as if the parties to this deed executing the several counterparts had all executed one document.

13. This deed shall be governed by and construed in accordance with the law of the Republic of Ireland. Any dispute, claim or matter arising under or in connection with this deed shall be subject to the non-exclusive jurisdiction of the Irish courts to which the parties to this deed hereby submit.

IN WITNESS WHEREOF this Deed has been duly executed by the parties hereto the day and year first herein written:

GIVEN under the common seal of
KELLOGG EUROPE TRADING LIMITED

____
Director

____
Director/Secretary

GIVEN under the common seal of
GOODBODY TRUSTEES LIMITED

____

Director

____

Director/Secretary

GIVEN under the common seal of
CAPITA CORPORATE TRUSTEES LIMITED

____

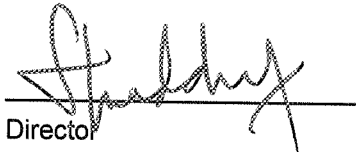
Director

____

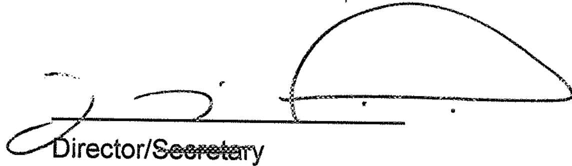
Director/Secretary

IN WITNESS WHEREOF this Deed has been duly executed by the parties hereto the day and year first herein written:

GIVEN under the common seal of
KELLOGG EUROPE TRADING LIMITED



Director



Director/~~Secretary~~

GIVEN under the common seal of
GOODBODY TRUSTEES LIMITED

Director

Director/Secretary

GIVEN under the common seal of
CAPITA CORPORATE TRUSTEES LIMITED

Director

Director/Secretary

Dated day of 2014

KELLOGG LUX 1 SARL

First Part

CAPITA CORPORATE TRUSTEES LIMITED

Second Part

KELLOGG (IRELAND) EMPLOYEE SHARE OWNERSHIP PLAN

DEED OF AMENDMENT

A & L Goodbody
25-28 North Wall Quay
Dublin 1

THIS DEED OF AMENDMENT is made the day of **2014**

BETWEEN

(1) Kellogg Lux 1 S.à r.l. (registered in Luxembourg under number B103831) whose registered office is at 560A, Rue de Neudorf, L-2220 Luxembourg (hereinafter called the **Company**) of the first part; and

(2) Capita Corporate Trustees Limited (a company registered in Ireland with registered number 312941) whose registered office is situated at 2 Grand Canal Square, Dublin 2 (hereinafter called the **Trustee**) of the second part.

WHEREAS

A. Kellogg Company of Ireland Limited (the **Original Company**) and Irish Progressive Life Assurance Company Limited (the **First Trustee**) (under its former name of Prudential Life of Ireland Limited) established the Kellogg (Ireland) Employee Share Ownership Plan (hereinafter called the **Plan**) by Trust Deed and Rules on 12 October 1988 (the **Original Deed**) to enable employees and executive directors of the Original Company to acquire common stock of the Parent Company (as therein defined) on the terms and in the manner therein set out.

B. The Original Deed was amended with the consent of the relevant parties thereto and the Revenue Commissioners by a Deed of Amendment dated 9 January 1998 (**First Deed of Amendment**).

C. Goodbody Trustees Limited was appointed trustee in place of the First Trustee by a Deed of Appointment dated 6 November 1998.

D. The Original Deed was amended with the consent of the relevant parties thereto and the Revenue Commissioners by a Deed of Amendment dated 10 November 1998 (**Second Deed of Amendment**).

E. The Original Deed was amended with the consent of the relevant parties thereto and the Revenue Commissioners by a Deed of Amendment dated 24 August 2001 (**Third Deed of Amendment**). The Third Deed of Amendment referred inadvertently to the Original Deed having been executed on 12 October 1998. This was in fact an error as the Original Deed was executed on 12 October 1988.

F. The Original Deed was amended with the consent of the relevant parties thereto and the Revenue Commissioners by a Deed of Amendment dated 1 September 2005 (**Fourth Deed of Amendment**). The Fourth Deed of Amendment referred inadvertently to the Original Deed having been executed on 12 October 1998. This was in fact an error as the Original Deed was executed on 12 October 1988.

G. The Original Deed was amended with the consent of the relevant parties thereto and the Revenue Commissioners by a Deed of Consolidation and Amendment dated 14 May 2009 (**Fifth Deed of Amendment**). The Fifth Deed of Amendment referred inadvertently to the Original Deed having been executed on 12 October 1998. This was in fact an error as the Original Deed was executed on 12 October 1988.

H. The Original Deed was amended with the consent of the relevant parties thereto and the Revenue Commissioners by a Deed of Amendment dated 6 January 2011 (**Sixth Deed of Amendment**) under which (inter alia) the Company replaced the Original Company as the establishing company of the Plan and the Original Company, Kellogg Europe Trading Limited and Kellogg Europe Treasury Services Limited adhered to the Plan as Subsidiaries.

I. Goodbody Trustees Limited retired as trustee of the Plan and was replaced by the Trustees under a Deed of Retirement and Appointment of Trustee executed on 7 January 2011.

J. The Original Deed was amended with the consent of the relevant parties thereto and the Revenue Commissioners by a Deed of Amendment and Adherence dated 20 February 2013 (**Seventh Deed of Amendment**), under which Kellogg Logistics Services Company Limited adhered to the Plan as a Subsidiary.

K. The provisions of the current trust deed and rules in operation at the date hereof are contained in the Sixth Deed of Amendment (the **Trust Deed and Rules**), as amended.

L. Clause 27 of the Trust Deed provides that the Company and the Trustees may together by Deed vary or amend or revoke any of the provisions of the Trust Deed (subject as set out therein) and Rule 23 of the Rules provides that the Board may by resolution at any time modify or vary the Rules (subject as set out therein).

M. The parties hereto now wish to make an amendment to the Plan set out below (the amendment to the Rules having also been approved by board resolution of the Company). The consent of the Revenue Commissioners to the amendment set out in this Deed has been obtained.

NOW THIS DEED WITNESSETH as follows:

1. Capitalised terms used in this Deed shall have the same meaning as in the Trust Deed and Rules now governing the Plan (unless otherwise defined herein).

2. Rule 6.1 shall be amended and replaced with the following:-

"6.1 The maximum value of an Employee Contribution which may be made by any Eligible Employee in any Plan Period shall be such sum as does not exceed the lesser of (i) 3.5 per cent of such proportion of his gross Eligible Earnings as the Plan Period bears to a calendar year and (ii) €529.16 per Plan Period, provided that the aggregate of any excess under Rule 6.3 and the Employee Contribution as calculated under this Rule 6.1 shall not exceed (a) 7.5 per cent of the Eligible Employee's Eligible Earnings or (b) €529.16 per Plan Period.

Notwithstanding any other provision of this Plan, Contracts of Participation, employee communications or otherwise, in no event shall the total consideration to be paid by Plan Participants for the purchase of Shares pursuant to an offer under this Plan (when combined with the total consideration for all other offers to the public by the Parent Company of its Shares

within any EU Member State or European Economic Area Treaty adherent State under this Plan or otherwise in the twelve month period ending on the day of such offer), exceed €4,999,999. The amount which can be invested by Participants under the Plan and the number of Shares that may be purchased with Employee Contributions shall be scaled back should this be necessary in order to ensure that this limit is not exceeded. Any scale-back imposed to ensure compliance with this caveat to Rule 6.1 shall be applied automatically without further reference to Participants and shall be applied to all Eligible Employees on similar terms and on a pro-rata basis. The limit under this caveat to Rule 6.1 shall apply to an offer under the Plan only where such offer does not otherwise qualify for an exemption from the prospectus requirements of the EU Prospectus Directive (apart from under Article 1.2.h thereof) and applicable local law. Furthermore, the limits and scale-back shall not apply where a prospectus has been filed in connection with the requirements of the EU Prospectus Directive. Where this caveat to Rule 6.1 applies to an offer under the Plan, other offers will be counted in the aggregation for the purposes of calculating the relevant limit to the extent required by the EU Prospectus Directive and applicable local law.

3. This Deed may be executed in any number of counterparts and by the several parties to it on separate counterparts, each of which when so executed will constitute an original but all of which together shall evidence the same deed.

4. This Deed shall be governed by and construed in accordance with the law of the Republic of Ireland.

IN WITNESS WHEREOF this Deed has been duly executed by the parties hereto the day and year first herein written.

____

KELLOGG LUX 1 SARL

By: ________________________________

Title:________________________________

GIVEN UNDER
THE COMMON SEAL of
CAPITA CORORATE TRUSTEES LIMITED
in the presence of:

Director
____

Director/Secretary
____

EXHIBIT IV
ANNUAL REPORT ON FORM 10-K
FILED BY KELLOGG COMPANY ON FEBRUARY 24, 2016

Morningstar® Document Research℠

FORM 10-K

KELLOGG CO - K

Filed: February 24, 2016 (period: January 02, 2016)

Annual report with a comprehensive overview of the company

The information contained herein may not be copied, adapted or distributed and is not warranted to be accurate, complete or timely. The user assumes all risks for any damages or losses arising from any use of this information, except to the extent such damages or losses cannot be limited or excluded by applicable law. Past financial performance is no guarantee of future results.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended January 2, 2016

☐ **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

(Exact name of registrant as specified in its charter)

Delaware	**38-0710690**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

One Kellogg Square
Battle Creek, Michigan 49016-3599

(Address of Principal Executive Offices)

Registrant's telephone number: (269) 961-2000

Securities registered pursuant to Section 12(b) of the Securities Act:

Title of each class:	Name of each exchange on which registered:
Common Stock, $.25 par value per share	**New York Stock Exchange**
1.750% Senior Notes due 2021	**New York Stock Exchange**
1.250% Senior Notes due 2025	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Securities Act: None

Indicate by a check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. Yes ☐ No ☑

Note — Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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)

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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 Act). Yes ☐ No ☑

The aggregate market value of the common stock held by non-affiliates of the registrant (assuming for purposes of this computation only that the W. K. Kellogg Foundation Trust, directors and executive officers may be affiliates) as of the close of business on July 4, 2015 was approximately $17.7 billion based on the closing price of $63.14 for one share of common stock, as reported for the New York Stock Exchange on that date.

As of January 29, 2016, 350,257,015 shares of the common stock of the registrant were issued and outstanding.

Parts of the registrant's Proxy Statement for the Annual Meeting of Shareowners to be held on April 29, 2016 are incorporated by reference into Part III of this Report.

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PART I

ITEM 1. BUSINESS

The Company. Kellogg Company, founded in 1906 and incorporated in Delaware in 1922, and its subsidiaries are engaged in the manufacture and marketing of ready-to-eat cereal and convenience foods.

The address of the principal business office of Kellogg Company is One Kellogg Square, P.O. Box 3599, Battle Creek, Michigan 49016-3599. Unless otherwise specified or indicated by the context, “Kellogg,” “we,” “us” and “our” refer to Kellogg Company, its divisions and subsidiaries.

Financial Information About Segments. Information on segments is located in Note 17 within Notes to the Consolidated Financial Statements.

Principal Products. Our principal products are ready-to-eat cereals and convenience foods, such as cookies, crackers, savory snacks, toaster pastries, cereal bars, fruit-flavored snacks, frozen waffles and veggie foods. These products were, as of February 24, 2016, manufactured by us in 20 countries and marketed in more than 180 countries. Our cereal products are generally marketed under the ***Kellogg’s*** name and are sold to the grocery trade through direct sales forces for resale to consumers. We use broker and distributor arrangements for certain products. We also generally use these, or similar arrangements, in less-developed market areas or in those market areas outside of our focus.

We also market cookies, crackers, crisps, and other convenience foods, under brands such as ***Kellogg’s, Keebler, Cheez-It, Murray, Austin*** and ***Famous Amos,*** to supermarkets in the United States through a direct store-door (DSD) delivery system, although other distribution methods are also used.

Additional information pertaining to the relative sales of our products for the years 2013 through 2015 is located in Note 17 Notes to the Consolidated Financial Statements, which are included herein under Part II, Item 8.

Raw Materials. Agricultural commodities, including corn, wheat, potato flakes, soy bean oil, sugar and cocoa, are the principal raw materials used in our products. Cartonboard, corrugated, and plastic are the principal packaging materials used by us. We continually monitor world supplies and prices of such commodities (which include such packaging materials), as well as government trade policies. The cost of such commodities may fluctuate widely due to government policy and regulation, weather conditions, climate change or other unforeseen circumstances. Continuous efforts are made to maintain and improve the quality and supply of such commodities for purposes of our short-term and long-term requirements.

The principal ingredients in the products produced by us in the United States include corn grits, wheat and wheat derivatives, potato flakes, oats, rice, cocoa and chocolate, soybeans and soybean derivatives, various fruits, sweeteners, vegetable oils, dairy products, eggs, and other filling ingredients, which are obtained from various sources. While most of these ingredients are purchased from sources in the United States, some materials are imported due to regional availability and specification requirements.

We enter into long-term contracts for the materials described in this section and purchase these items on the open market, depending on our view of possible price fluctuations, supply levels, and our relative negotiating power. While the cost of some of these materials has, and may continue to, increase over time, we believe that we will be able to purchase an adequate supply of these items as needed. As further discussed herein under Part II, Item 7A, we also use commodity futures and options to hedge some of our costs.

Raw materials and packaging needed for internationally based operations are available in adequate supply and are sourced both locally and imported from countries other than those where used in manufacturing.

Natural gas and propane are the primary sources of energy used to power processing ovens at major domestic and international facilities, although certain locations may use oil or propane on a back-up or alternative basis. In addition, considerable amounts of diesel fuel are used in connection with the distribution of our products. As further discussed herein under Part II, Item 7A, we use over-the-counter commodity price swaps to hedge some of our natural gas costs.

Trademarks and Technology. Generally, our products are marketed under trademarks we own. Our principal trademarks are our housemarks, brand names, slogans, and designs related to cereals and convenience foods manufactured and marketed by us, and we also grant licenses to third parties to use these marks on various goods.

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These trademarks include ***Kellogg's*** for cereals, convenience foods and our other products, and the brand names of certain ready-to-eat cereals, including ***All-Bran, Apple Jacks, Bran Buds, Choco Zucaritas, Cocoa Krispies, Complete, Kellogg's Corn Flakes, Corn Pops, Cracklin' Oat Bran, Crispix, Crunchmania, Crunchy Nut, Eggo, Kellogg's FiberPlus, Froot Loops, Kellogg's Frosted Flakes, Krave, Frosted Krispies, Frosted Mini-Wheats, Just Right, Kellogg's Low Fat Granola, Mueslix, Pops, Product 19, Kellogg's Origins, Kellogg's Raisin Bran, Raisin Bran Crunch***, ***Rice Krispies, Rice Krispies Treats, Smacks/Honey Smacks, Smart Start, Special K, Special K Nourish, Special K Red Berries*** and ***Zucaritas*** in the United States and elsewhere; ***Sucrilhos, Krunchy Granola, Kellogg's Extra, Kellness, Musli,*** and ***Choco Krispis*** for cereals in Latin America; ***Vector*** in Canada; ***Coco Pops, Chocos, Frosties, Fruit'N Fibre, Kellogg's Crunchy Nut Corn Flakes, Krave, Honey Loops, Kellogg's Extra, Country Store, Ricicles, Smacks, Start, Pops, Honey Bsss, Croco Copters*** and ***Tresor*** for cereals in Europe; and ***Guardian, Sultana Bran, Frosties, Rice Bubbles, Nutri-Grain, Kellogg's Iron Man Food***, and ***Sustain*** for cereals in Asia and Australia. Additional trademarks are the names of certain combinations of ready-to-eat ***Kellogg's*** cereals, including ***Fun Pak*** and ***Variety***.

Other brand names include ***Kellogg's*** Corn Flake Crumbs; ***All-Bran, Choco Krispis, Froot Loops, Special K, Zucaritas*** and ***Sucrilhos*** for cereal bars, ***Pop-Tarts*** for toaster pastries; ***Eggo*** and ***Nutri-Grain*** for frozen waffles and pancakes; ***Eggo*** and ***Special K*** for breakfast sandwiches; ***Rice Krispies Treats*** for convenience foods; ***Special K*** protein shakes; ***Nutri-Grain*** cereal bars for convenience foods in the United States and elsewhere; ***K-Time, Rice Bubbles, Be Natural, Sunibrite*** and ***LCMs*** for convenience foods in Asia and Australia; ***Choco Krispies, Tresor*** and ***Rice Krispies Squares*** for convenience foods in Europe; ***Kashi*** for certain cereals, convenience foods, frozen foods and pilaf; ***GoLean*** for cereals and nutrition bars; ***Special K*** and ***Vector*** for meal replacement products; ***Bear Naked*** for granola cereal, bars and trail mix, ***Pringles*** for potato crisps, tortilla crisps and potato sticks, and ***Morningstar Farms*** and ***Gardenburger*** for certain meat alternatives.

We also market convenience foods under trademarks and tradenames which include ***Keebler, Austin, Cheez-It, Chips Deluxe, Club, E. L. Fudge, Famous Amos, Fudge Shoppe, Kellogg's FiberPlus, Gripz, Jack's, Jackson's, Krispy, Mother's, Murray, Murray Sugar Free, Ready Crust, Right Bites, Sandies, Special K, Soft Batch, Simply Made, Stretch Island, Sunshine, Toasteds, Town House, Vienna Creams, Vienna Fingers*** and ***Zesta.*** One of our subsidiaries is also the exclusive licensee of the ***Carr's*** cracker line in the United States.

Our trademarks also include logos and depictions of certain animated characters in conjunction with our products, including ***Snap! Crackle! Pop!*** for ***Cocoa Krispies*** and ***Rice Krispies*** cereals and ***Rice Krispies Treats*** convenience foods; ***Tony the Tiger*** for ***Kellogg's Frosted Flakes, Zucaritas, Sucrilhos*** and ***Frosties*** cereals and convenience foods; ***Ernie Keebler*** for cookies, convenience foods and other products; the ***Hollow Tree*** logo for certain convenience foods; ***Toucan Sam*** for ***Froot Loops*** cereal; ***Dig 'Em*** for ***Smacks/Honey Smacks*** cereal; ***Sunny*** for ***Kellogg's Raisin Bran*** and ***Raisin Bran Crunch*** cereals, ***Coco*** the Monkey for ***Coco Pops*** cereal; ***Cornelius*** (aka Cornelio) for ***Kellogg's Corn Flakes***; ***Melvin*** the Elephant for certain cereal and convenience foods; ***Chocos*** the Bear, ***Sammy*** the Seal (aka ***Smaxey*** the Seal) for certain cereal products and ***Mr. P*** or ***Julius Pringles*** for Pringles potato crisps, tortilla crisps and potato sticks.

The slogans ***The Original & Best, They're Gr-r-reat!***, ***Show Your Stripes*** and ***Follow Your Nose,*** are used in connection with our ready-to-eat cereals, along with ***L' Eggo my Eggo***, used in connection with our frozen waffles and pancakes, ***Childhood Is Calling, Uncommonly Good*** and ***Baked with Care*** used in connection with convenience food products, ***Seven Whole Grains on a Mission*** used in connection with ***Kashi*** natural foods and ***Just What the World Ordered*** used in connection with meat alternatives and ***You Don't just Eat'em*** used in connection with potato crisps are also important Kellogg trademarks.

The trademarks listed above, among others, when taken as a whole, are important to our business. Certain individual trademarks are also important to our business. Depending on the jurisdiction, trademarks are generally valid as long as they are in use and/or their registrations are properly maintained and they have not been found to have become generic. Registrations of trademarks can also generally be renewed indefinitely as long as the trademarks are in use.

We consider that, taken as a whole, the rights under our various patents, which expire from time to time, are a valuable asset, but we do not believe that our businesses are materially dependent on any single patent or group of related patents. Our activities under licenses or other franchises or concessions which we hold are similarly a valuable asset, but are not believed to be material.

Seasonality. Demand for our products has generally been approximately level throughout the year, although some of our convenience foods have a bias for stronger demand in the second half of the year due to events and

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holidays. We also custom-bake cookies for the Girl Scouts of the U.S.A., which are principally sold in the first quarter of the year.

Working Capital. Although terms vary around the world and by business types, in the United States we generally have required payment for goods sold eleven or sixteen days subsequent to the date of invoice as 2% 10/net 11 or 1% 15/net 16. Receipts from goods sold, supplemented as required by borrowings, provide for our payment of dividends, repurchases of our common stock, capital expansion, and for other operating expenses and working capital needs. We anticipate establishing a discrete customer program which would allow for extended customer payment terms. In connection with this program, we may enter into an agreement with one or more financial institutions to monetize these receivables resulting in the receivables being de-recognized from our consolidated balance sheet. We currently estimate that the amount of these receivables held at any time by the financial institution(s) will be approximately $500 to $600 million.

Customers. Our largest customer, Wal-Mart Stores, Inc. and its affiliates, accounted for approximately 21% of consolidated net sales during 2015, comprised principally of sales within the United States. At January 2, 2016, approximately 18% of our consolidated receivables balance and 27% of our U.S. receivables balance was comprised of amounts owed by Wal-Mart Stores, Inc. and its affiliates. No other customer accounted for greater than 10% of net sales in 2015. During 2015, our top five customers, collectively, including Wal-Mart, accounted for approximately 34% of our consolidated net sales and approximately 47% of U.S. net sales. There has been significant worldwide consolidation in the grocery industry and we believe that this trend is likely to continue. Although the loss of any large customer for an extended length of time could negatively impact our sales and profits, we do not anticipate that this will occur to a significant extent due to the consumer demand for our products and our relationships with our customers. Our products have been generally sold through our own sales forces and through broker and distributor arrangements, and have been generally resold to consumers in retail stores, restaurants, and other food service establishments.

Backlog. For the most part, orders are filled within a few days of receipt and are subject to cancellation at any time prior to shipment. The backlog of any unfilled orders at January 2, 2016 and January 3, 2015 was not material to us.

Competition. We have experienced, and expect to continue to experience, intense competition for sales of all of our principal products in our major product categories, both domestically and internationally. Our products compete with advertised and branded products of a similar nature as well as unadvertised and private label products, which are typically distributed at lower prices, and generally with other food products. Principal methods and factors of competition include new product introductions, product quality, taste, convenience, nutritional value, price, advertising and promotion.

Research and Development. Research to support and expand the use of our existing products and to develop new food products is carried on at the W. K. Kellogg Institute for Food and Nutrition Research in Battle Creek, Michigan, and at other locations around the world. Our expenditures for research and development were approximately (in millions): 2015-$193; 2014-$199; 2013-$199.

Regulation. Our activities in the United States are subject to regulation by various government agencies, including the Food and Drug Administration, Federal Trade Commission and the Departments of Agriculture, Commerce and Labor, as well as voluntary regulation by other bodies. Various state and local agencies also regulate our activities. Other agencies and bodies outside of the United States, including those of the European Union and various countries, states and municipalities, also regulate our activities.

Environmental Matters. Our facilities are subject to various U.S. and foreign, federal, state, and local laws and regulations regarding the release of material into the environment and the protection of the environment in other ways. We are not a party to any material proceedings arising under these regulations. We believe that compliance with existing environmental laws and regulations will not materially affect our consolidated financial condition or our competitive position.

Employees. At January 2, 2016, we had approximately 33,577 employees.

Financial Information About Geographic Areas. Information on geographic areas is located in Note 17 within Notes to the Consolidated Financial Statements, which are included herein under Part II, Item 8.

Executive Officers. The names, ages, and positions of our executive officers (as of February 24, 2016) are listed below, together with their business experience. Executive officers are elected annually by the Board of Directors.

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John A. Bryant 50
Chairman and Chief Executive Officer

Mr. Bryant has been Chairman of the Board of Kellogg Company since July 2014 and has served as a Kellogg director since July 2010. In January 2011, he was appointed President and Chief Executive Officer after having served as our Executive Vice President and Chief Operating Officer since August 2008. Mr. Bryant joined Kellogg in March 1998, and was promoted during the next eight years to a number of key financial and executive leadership roles. He was appointed Executive Vice President and Chief Financial Officer, Kellogg Company, President, Kellogg International in December 2006. In July 2007, Mr. Bryant was appointed Executive Vice President and Chief Financial Officer, Kellogg Company, President, Kellogg North America and in August 2008, he was appointed Executive Vice President, Chief Operating Officer and Chief Financial Officer. Mr. Bryant served as Chief Financial Officer through December 2009.

Ronald L. Dissinger 57
Senior Vice President and Chief Financial Officer

Mr. Dissinger was appointed Senior Vice President and Chief Financial Officer effective January 2010. Mr. Dissinger joined Kellogg in 1987 as an accounting supervisor, and during the next 14 years served in a number of key financial leadership roles, both in the United States and Australia. In 2001, he was promoted to Vice President and Chief Financial Officer, U.S. Morning Foods. In 2004, Mr. Dissinger became Vice President, Corporate Financial Planning, and CFO, Kellogg International. In 2005, he became Vice President and CFO, Kellogg Europe and CFO, Kellogg International. In 2007, Mr. Dissinger was appointed Senior Vice President and Chief Financial Officer, Kellogg North America.

Alistair D. Hirst 56
Senior Vice President, Global Supply Chain

Mr. Hirst assumed his current position in April 2012. He joined the company in 1984 as a Food Technologist at the Springs, South Africa, plant. While at the facility, he was promoted to Quality Assurance Manager and Production Manager. From 1993-2001, Mr. Hirst held numerous positions in South Africa and Australia, including Production Manager, Plant Manager, and Director, Supply Chain. In 2001, Mr. Hirst was promoted to Director, Procurement at the Manchester, England, facility and was later named European Logistics Director. In 2005, he transferred to the U.S. when promoted to Vice President, Global Procurement. In 2008, he was promoted to Senior Vice President, Snacks Supply Chain and to Senior Vice President, North America Supply Chain, in October 2011.

Samantha J. Long 48
Senior Vice President, Global Human Resources

Ms. Long assumed her current position January 1, 2013. She joined the company in 2003 as Director, Human Resources for the United Kingdom, Republic of Ireland and Middle East/Mediterranean businesses as well as the European finance, sales, human resources, research and development, information technology, communications and innovations functions. In 2006, Ms. Long transferred to the United States when she was promoted to Vice President, Human Resources, U.S. Morning Foods & Kashi. She also served as human resources business partner to the senior vice president of global human resources. From 2008 to 2013, she held the position of Vice President, Human Resources, Kellogg North America. Before joining the company, she was head of human resources for Sharp Electronics based in the United Kingdom. Prior to that role, she held a number of positions in her 15-year tenure with International Computers Limited, part of the Fujitsu family of companies.

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Paul T. Norman 51
Senior Vice President, Kellogg Company
President, Kellogg North America

Mr. Norman was appointed President, Kellogg North America in May 2015. He was appointed Senior Vice President, Kellogg Company in December 2005. Mr. Norman was appointed Chief Growth Officer in October 2013 and also held the role of interim U.S. Morning Foods President from June 2014 to May 2015. Mr. Norman joined Kellogg's U.K. sales organization in 1987. From 1989 to 1996, Mr. Norman was promoted to several marketing roles in France and Canada. He was promoted to director, marketing, Kellogg de Mexico in January 1997; to Vice President, Marketing, Kellogg USA in February 1999; to President, Kellogg Canada Inc. in December 2000; and to Managing Director, United Kingdom/Republic of Ireland in February 2002. In September 2004, Mr. Norman was appointed to Vice President, Kellogg Company, and President, U.S. Morning Foods. In August 2008, Mr. Norman was promoted to President, Kellogg International.

Gary H. Pilnick 51
Vice Chairman, Corporate Development
and Chief Legal Officer

Mr. Pilnick was appointed Vice Chairman, Corporate Development and Chief Legal Officer in January 2016. In August 2003, he was appointed Senior Vice President, General Counsel and Secretary and assumed responsibility for Corporate Development in June 2004. He joined Kellogg as Vice President — Deputy General Counsel and Assistant Secretary in September 2000 and served in that position until August 2003. Before joining Kellogg, he served as Vice President and Chief Counsel of Sara Lee Branded Apparel and as Vice President and Chief Counsel, Corporate Development and Finance at Sara Lee Corporation.

Availability of Reports; Website Access; Other Information. Our internet address is http://www.kelloggcompany.com. Through "Investor Relations" — "Financials" — "SEC Filings" on our home page, we make available free of charge our proxy statements, our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, SEC Forms 3, 4 and 5 and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Our reports filed with the Securities and Exchange Commission are also made available to read and copy at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the Public Reference Room by contacting the SEC at 1-800-SEC-0330. Reports filed with the SEC are also made available on its website at www.sec.gov.

Copies of the Corporate Governance Guidelines, the Charters of the Audit, Compensation and Nominating and Governance Committees of the Board of Directors, the Code of Conduct for Kellogg Company directors and Global Code of Ethics for Kellogg Company employees (including the chief executive officer, chief financial officer and corporate controller) can also be found on the Kellogg Company website. Any amendments or waivers to the Global Code of Ethics applicable to the chief executive officer, chief financial officer and corporate controller can also be found in the "Investor Relations" section of the Kellogg Company website. Shareowners may also request a free copy of these documents from: Kellogg Company, P.O. Box CAMB, Battle Creek, Michigan 49016-9935 (phone: (800) 961-1413), Investor Relations Department at that same address (phone: (269) 961-2800) or investor.relations@kellogg.com.

Forward-Looking Statements. This Report contains "forward-looking statements" with projections concerning, among other things, the Company's global growth and efficiency program (Project K), the integration of acquired businesses, our strategy, zero-based budgeting, financial principles, and plans; initiatives, improvements and growth; sales, gross margins, advertising, promotion, merchandising, brand building, operating profit, and earnings per share; innovation; investments; capital expenditures; asset write-offs and expenditures and costs related to productivity or efficiency initiatives; the impact of accounting changes and significant accounting estimates; our ability to meet interest and debt principal repayment obligations; minimum contractual obligations; future common stock repurchases or debt reduction; effective income tax rate; cash flow and core working capital improvements; interest expense; commodity and energy prices; and employee benefit plan costs and funding. Forward-looking statements include predictions of future results or activities and may contain the words "expect," "believe," "will," "can," "anticipate," "estimate," "project," "should," or words or phrases of similar meaning. For example, forward-

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looking statements are found in this Item 1 and in several sections of Management's Discussion and Analysis. Our actual results or activities may differ materially from these predictions. Our future results could be affected by a variety of factors, including the ability to implement Project K as planned, whether the expected amount of costs associated with Project K will exceed forecasts, whether the Company will be able to realize the anticipated benefits from Project K in the amounts and times expected, the ability to realize the anticipated benefits and synergies from acquired businesses in the amounts and at the times expected, the impact of competitive conditions; the effectiveness of pricing, advertising, and promotional programs; the success of innovation, renovation and new product introductions; the recoverability of the carrying value of goodwill and other intangibles; the success of productivity improvements and business transitions; commodity and energy prices; labor costs; disruptions or inefficiencies in supply chain; the availability of and interest rates on short-term and long-term financing; actual market performance of benefit plan trust investments; the levels of spending on systems initiatives, properties, business opportunities, integration of acquired businesses, and other general and administrative costs; changes in consumer behavior and preferences; the effect of U.S. and foreign economic conditions on items such as interest rates, statutory tax rates, currency conversion and availability; legal and regulatory factors including changes in food safety, advertising and labeling laws and regulations; the ultimate impact of product recalls; business disruption or other losses from war, terrorist acts, or political unrest; risks generally associated with global operations; risks from certain emerging markets; other items; and the risks and uncertainties described in Item 1A below. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to publicly update them.

ITEM 1A. RISK FACTORS

In addition to the factors discussed elsewhere in this Report, the following risks and uncertainties could materially adversely affect our business, financial condition and results of operations. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations and financial condition.

We may not realize the benefits that we expect from our global four-year efficiency and effectiveness program (Project K).

In November 2013, the Company announced a global four-year efficiency and effectiveness program (Project K). The successful implementation of Project K presents significant organizational design and infrastructure challenges and in many cases will require successful negotiations with third parties, including labor organizations, suppliers, business partners, and other stakeholders. In addition, the project may not advance our business strategy as expected. As a result, we may not be able to implement Project K as planned, including realizing, in full or in part, the anticipated benefits from our program. Events and circumstances, such as financial or strategic difficulties, delays and unexpected costs may occur that could result in our not realizing all or any of the anticipated benefits or our not realizing the anticipated benefits on our expected timetable. If we are unable to realize the anticipated savings of the program, our ability to fund other initiatives may be adversely affected. Any failure to implement Project K in accordance with our expectations could adversely affect our financial condition, results of operations and cash flows.

In addition, the complexity of Project K will require a substantial amount of management and operational resources. Our management team must successfully implement administrative and operational changes necessary to achieve the anticipated benefits of Project K. These and related demands on our resources may divert the organization's attention from existing core businesses, integrating or separating personnel and financial or other systems, have adverse effects on existing business relationships with suppliers and customers, and impact employee morale. As a result our financial condition, results of operations or cash flows may be adversely affected.

We may not realize the benefits we expect from the adoption of zero-based budgeting.

We recently adopted zero-based budgeting which presents significant organizational challenges. As a result, we may not realize all or part of the anticipated cost savings or other benefits from the initiative. Other events and circumstances, such as financial or strategic difficulties, delays or unexpected costs, may also adversely impact our ability to realize all or part of the anticipated cost savings or other benefits, or cause us not to realize the anticipated cost savings or other benefits on the expected timetable. If we are unable to realize the anticipated cost savings, our ability to fund other initiatives may be adversely affected. In addition, the initiatives may not advance our strategy as expected. Finally, the complexity of the implementation will require a substantial amount of management and operational resources. Our management team must successfully execute the administrative and operational

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changes necessary to achieve the anticipated benefits of the initiatives. These and related demands on our resources may divert the organization's attention from other business issues, have adverse effects on existing business relationships with suppliers and customers, and impact employee morale.

Any failure to implement our cost reduction, organizational design or other initiatives in accordance with our plans could adversely affect our business or financial results.

Our results may be materially and adversely impacted as a result of increases in the price of raw materials, including agricultural commodities, fuel and labor.

Agricultural commodities, including corn, wheat, soybean oil, sugar and cocoa, are the principal raw materials used in our products. Cartonboard, corrugated, and plastic are the principal packaging materials used by us. The cost of such commodities may fluctuate widely due to government policy and regulation, drought and other weather conditions (including the potential effects of climate change) or other unforeseen circumstances. To the extent that any of the foregoing factors affect the prices of such commodities and we are unable to increase our prices or adequately hedge against such changes in prices in a manner that offsets such changes, the results of our operations could be materially and adversely affected. In addition, we use derivatives to hedge price risk associated with forecasted purchases of raw materials. Our hedged price could exceed the spot price on the date of purchase, resulting in an unfavorable impact on both gross margin and net earnings.

Cereal processing ovens at major domestic and international facilities are regularly fueled by natural gas or propane, which are obtained from local utilities or other local suppliers. Short-term stand-by propane storage exists at several plants for use in case of interruption in natural gas supplies. Oil may also be used to fuel certain operations at various plants. In addition, considerable amounts of diesel fuel are used in connection with the distribution of our products. The cost of fuel may fluctuate widely due to economic and political conditions, government policy and regulation, war, or other unforeseen circumstances which could have a material adverse effect on our consolidated operating results or financial condition.

A shortage in the labor pool, failure to successfully negotiate collectively bargained agreements, or other general inflationary pressures or changes in applicable laws and regulations could increase labor cost, which could have a material adverse effect on our consolidated operating results or financial condition.

Our labor costs include the cost of providing benefits for employees. We sponsor a number of benefit plans for employees in the United States and various foreign locations, including pension, retiree health and welfare, active health care, severance and other postemployment benefits. We also participate in a number of multiemployer pension plans for certain of our manufacturing locations. Our major pension plans and U.S. retiree health and welfare plans are funded with trust assets invested in a globally diversified portfolio of equity securities with smaller holdings of bonds, real estate and other investments. The annual cost of benefits can vary significantly from year to year and is materially affected by such factors as changes in the assumed or actual rate of return on major plan assets, a change in the weighted-average discount rate used to measure obligations, the rate or trend of health care cost inflation, and the outcome of collectively-bargained wage and benefit agreements. Many of our employees are covered by collectively-bargained agreements and other employees may seek to be covered by collectively-bargained agreements. Strikes or work stoppages and interruptions could occur if we are unable to renew these agreements on satisfactory terms or enter into new agreements on satisfactory terms, which could adversely impact our operating results. The terms and conditions of existing, renegotiated or new agreements could also increase our costs or otherwise affect our ability to fully implement future operational changes to enhance our efficiency.

Multiemployer pension plans could adversely affect our business.

We participate in various “multiemployer” pension plans administered by labor unions representing some of our employees. We make periodic contributions to these plans to allow them to meet their pension benefit obligations to their participants. Our required contributions to these funds could increase because of a shrinking contribution base as a result of the insolvency or withdrawal of other companies that currently contribute to these funds, inability or failure of withdrawing companies to pay their withdrawal liability, lower than expected returns on pension fund assets or other funding deficiencies. In the event that we withdraw from participation in one of these plans,
then applicable law could require us to make an additional lump-sum contribution to the plan, and we would have to reflect that as an expense in our consolidated statement of operations and as a liability on our consolidated balance sheet. Our withdrawal liability for any multiemployer plan would depend on the extent of the plan’s funding of vested benefits. In the ordinary course of our renegotiation of collective bargaining agreements with labor unions that maintain these plans, we may decide to discontinue participation in a plan, and in that event, we could face a

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withdrawal liability. Some multiemployer plans in which we participate are reported to have significant underfunded liabilities. Such underfunding could increase the size of our potential withdrawal liability.

We operate in the highly competitive food industry.

We face competition across our product lines, including ready-to-eat cereals and convenience foods, from other companies which have varying abilities to withstand changes in market conditions. Most of our competitors have substantial financial, marketing and other resources, and competition with them in our various markets and product lines could cause us to reduce prices, increase capital, marketing or other expenditures, or lose category share, any of which could have a material adverse effect on our business and financial results. Category share and growth could also be adversely impacted if we are not successful in introducing new products or in effectively assessing, changing and setting proper pricing.

We may be unable to maintain our profit margins in the face of a consolidating retail environment. In addition, the loss of one of our largest customers could negatively impact our sales and profits.

Our largest customer, Wal-Mart Stores, Inc. and its affiliates, accounted for approximately 21% of consolidated net sales during 2015, comprised principally of sales within the United States. At January 2, 2016, approximately 18% of our consolidated receivables balance and 27% of our U.S. receivables balance was comprised of amounts owed by Wal-Mart Stores, Inc. and its affiliates. No other customer accounted for greater than 10% of net sales in 2015. During 2015, our top five customers, collectively, including Wal-Mart, accounted for approximately 34% of our consolidated net sales and approximately 47% of U.S. net sales. As the retail grocery trade continues to consolidate and retailers become larger, our large retail customers may seek to use their position to improve their profitability through improved efficiency, lower pricing, increased promotional programs funded by their suppliers and more favorable terms. If we are unable to use our scale, marketing expertise, product innovation and category leadership positions to respond, our profitability or volume growth could be negatively affected. The loss of any large customer for an extended length of time could negatively impact our sales and profits.

Our results may be negatively impacted if consumers do not maintain their favorable perception of our brands.

We have a number of iconic brands with significant value. Maintaining and continually enhancing the value of these brands is critical to the success of our business. Brand value is based in large part on consumer perceptions. Success in promoting and enhancing brand value depends in large part on our ability to provide high-quality products. Brand value could diminish significantly due to a number of factors, including consumer perception that we have acted in an irresponsible manner, adverse publicity about our products (whether or not valid), our failure to maintain the quality of our products, the failure of our products to deliver consistently positive consumer experiences, or the products becoming unavailable to consumers. The growing use of social and digital media by consumers, Kellogg and third parties increases the speed and extent that information or misinformation and opinions can be shared. Negative posts or comments about Kellogg, our brands or our products on social or digital media could seriously damage our brands and reputation, regardless of the information’s accuracy. The harm may be immediate without affording us an opportunity for redress or correction. Brand recognition can also be impacted by the effectiveness of our advertising campaigns and marketing programs, as well as our use of social media. If we do not maintain the favorable perception of our brands, our results could be negatively impacted.

Tax matters, including changes in tax rates, disagreements with taxing authorities and imposition of new taxes could impact our results of operations and financial condition.

The Company is subject to taxes in the U.S. and numerous foreign jurisdictions where the Company’s subsidiaries are organized. Due to economic and political conditions, tax rates in various foreign jurisdictions may be subject to significant change. The future effective tax rate could be effected by changes in mix of earnings in countries with differing statutory tax rates, changes in valuation of deferred tax asset and liabilities, or changes in tax laws or their interpretation which includes possible U.S. tax reform and contemplated changes in other countries of long-standing tax principles if finalized and adopted could have a material impact on our income tax expense and deferred tax balances.

We are also subject to regular reviews, examinations and audits by the Internal Revenue Service and other taxing authorities with respect to taxes inside and outside of the U.S. Although we believe our tax estimates are reasonable, if a taxing authority disagrees with the positions we have taken, we could face additional tax liability, including interest and penalties. There can be no assurance that payment of such additional amounts upon final adjudication of any disputes will not have a material impact on our results of operations and financial position.

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The cash we generate outside the U.S. is principally to be used to fund our international development. If the funds generated by our U.S. business are not sufficient to meet our need for cash in the U.S., we may need to repatriate a portion of our future international earnings to the U.S. Such international earnings would be subject to U.S. tax which could cause our worldwide effective tax rate to increase.

We also need to comply with new, evolving or revised tax laws and regulations. The enactment of or increases in tariffs, including value added tax, or other changes in the application of existing taxes, in markets in which we are currently active, or may be active in the future, or on specific products that we sell or with which our products compete, may have an adverse effect on our business or on our results of operations.

If our food products become adulterated, misbranded or mislabeled, we might need to recall those items and may experience product liability if consumers are injured as a result.

Selling food products involves a number of legal and other risks, including product contamination, spoilage, product tampering, allergens, or other adulteration. We may need to recall some of our products if they become adulterated or misbranded. We may also be liable if the consumption of any of our products causes injury, illness or death. A widespread product recall or market withdrawal could result in significant losses due to their costs, the destruction of product inventory, and lost sales due to the unavailability of product for a period of time. We could also suffer losses from a significant product liability judgment against us. A significant product recall or product liability case could also result in adverse publicity, damage to our reputation, and a loss of consumer confidence in our food products, which could have a material adverse effect on our business results and the value of our brands. Moreover, even if a product liability or consumer fraud claim is meritless, does not prevail or is not pursued, the negative publicity surrounding assertions against our company and our products or processes could adversely affect our reputation or brands.

We could also be adversely affected if consumers lose confidence in the safety and quality of certain food products or ingredients, or the food safety system generally. Adverse publicity about these types of concerns, whether or not valid, may discourage consumers from buying our products or cause production and delivery disruptions.

Unanticipated business disruptions could have an adverse effect on our business, financial condition and results of operations.

We manufacture and source products and materials on a global scale. We have a complex network of suppliers, owned manufacturing locations, contract manufacturer locations, distribution networks and information systems that support our ability to provide our products to our customers consistently. Our ability to make, move and sell products globally is critical to our success. Factors that are hard to predict or beyond our control, such as weather (including any potential effects of climate change), natural disasters, fires or explosions, terrorism, political unrest, health pandemics or strikes, could damage or disrupt our operations or our suppliers' or contract manufacturers' operations. If we do not effectively respond to disruptions in our operations, for example, by finding alternative suppliers or replacing capacity at key manufacturing or distribution locations, or cannot quickly repair damage to our information, production or supply systems, we may be late in delivering or unable to deliver products to our customers. If that occurs, we may lose our customers' confidence, and long-term consumer demand for our products could decline. These events could adversely affect our business, financial condition and results of operations.

Evolving tax, environmental, food quality and safety or other regulations or failure to comply with existing licensing, labeling, trade, food quality and safety and other regulations and laws could have a material adverse effect on our consolidated financial condition.

Our activities or products, both in and outside of the United States, are subject to regulation by various federal, state, provincial and local laws, regulations and government agencies, including the U.S. Food and Drug Administration, U.S. Federal Trade Commission, the U.S. Departments of Agriculture, Commerce and Labor, as well as similar and other authorities outside of the United States, International Accords and Treaties and others, including voluntary regulation by other bodies. In addition, legal and regulatory systems in emerging and developing markets may be less developed, and less certain. These laws and regulations and interpretations thereof may change, sometimes dramatically, as a result of a variety of factors, including political, economic or social events. The manufacturing, marketing and distribution of food products are subject to governmental regulation that impose additional regulatory requirements. Those regulations control such matters as food quality and safety, ingredients, advertising, product or production requirements, labeling, import or export of our products or ingredients, relations with distributors and retailers, health and safety, the environment, and restrictions on the use of government programs, such as Supplemental Nutritional Assistance Program, to purchase certain of our products. We are also

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regulated with respect to matters such as licensing requirements, trade and pricing practices, tax, anticorruption standards, advertising and claims, and environmental matters. The need to comply with new, evolving or revised tax, environmental, food quality and safety, labeling or other laws or regulations, or new, evolving or changed interpretations or enforcement of existing laws or regulations, may have a material adverse effect on our business and results of operations. Further, if we are found to be out of compliance with applicable laws and regulations in these areas, we could be subject to civil remedies, including fines, injunctions, termination of necessary licenses or permits, or recalls, as well as potential criminal sanctions, any of which could have a material adverse effect on our business. Even if regulatory review does not result in these types of determinations, it could potentially create negative publicity or perceptions which could harm our business or reputation.

Our operations face significant foreign currency exchange rate exposure and currency restrictions which could negatively impact our operating results.

We hold assets and incur liabilities, earn revenue and pay expenses in a variety of currencies other than the U.S. dollar, including the euro, British pound, Australian dollar, Canadian dollar, Mexican peso, Venezuelan bolivar fuerte and Russian ruble. Because our consolidated financial statements are presented in U.S. dollars, we must translate our assets, liabilities, revenue and expenses into U.S. dollars at then-applicable exchange rates. Consequently, changes in the value of the U.S. dollar may unpredictably and negatively affect the value of these items in our consolidated financial statements, even if their value has not changed in their original currency.

If we pursue strategic acquisitions, alliances, divestitures or joint ventures, we may not be able to successfully consummate favorable transactions or successfully integrate acquired businesses.

From time to time, we may evaluate potential acquisitions, alliances, divestitures or joint ventures that would further our strategic objectives. With respect to acquisitions, we may not be able to identify suitable candidates, consummate a transaction on terms that are favorable to us, or achieve expected returns, expected synergies and other benefits as a result of integration challenges, or may not achieve those objectives on a timely basis. Future acquisitions of foreign companies or new foreign ventures would subject us to local regulations and could potentially lead to risks related to, among other things, increased exposure to foreign exchange rate changes, government price control, repatriation of profits and liabilities relating to the U.S. Foreign Corrupt Practices Act.

With respect to proposed divestitures of assets or businesses, we may encounter difficulty in finding acquirers or alternative exit strategies on terms that are favorable to us, which could delay the accomplishment of our strategic objectives, or our divestiture activities may require us to recognize impairment charges. Companies or operations acquired or joint ventures created may not be profitable or may not achieve sales levels and profitability that justify the investments made. Our corporate development activities may present financial and operational risks, including diversion of management attention from existing core businesses, integrating or separating personnel and financial and other systems, and adverse effects on existing business relationships with suppliers and customers. Future acquisitions could also result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to certain intangible assets and increased operating expenses, which could adversely affect our results of operations and financial condition.

Potential liabilities and costs from litigation could adversely affect our business.

There is no guarantee that we will be successful in defending our self in civil, criminal or regulatory actions, including under general, commercial, employment, environmental, food quality and safety, anti-trust and trade, advertising and claims, and environmental laws and regulations, or in asserting its rights under various laws. For example, our marketing or claims could face allegations of false or deceptive advertising or other criticisms which could end up in litigation and result in potential liabilities or costs. In addition, we could incur substantial costs and fees in defending our self or in asserting our rights in these actions or meeting new legal requirements. The costs and other effects of potential and pending litigation and administrative actions against us, and new legal requirements, cannot be determined with certainty and may differ from expectations.

Our consolidated financial results and demand for our products are dependent on the successful development of new products and processes.

There are a number of trends in consumer preferences which may impact us and the industry as a whole. These include changing consumer dietary trends and the availability of substitute products.

Our success is dependent on anticipating changes in consumer preferences and on successful new product and process development and product relaunches in response to such changes. Trends within the food industry change

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often, and failure to identify and react to changes in these trends could lead to, among other things, reduced demand and price reductions for our brands and products. We aim to introduce products or new or improved production processes on a timely basis in order to counteract obsolescence and decreases in sales of existing products. While we devote significant focus to the development of new products and to the research, development and technology process functions of our business, we may not be successful in developing new products or our new products may not be commercially successful. Our future results and our ability to maintain or improve our competitive position will depend on our capacity to gauge the direction of our key markets and upon our ability to successfully identify, develop, manufacture, market and sell new or improved products in these changing markets.

Our postretirement benefit-related costs and funding requirements could increase as a result of volatility in the financial markets, changes in interest rates and actuarial assumptions.

Increases in the costs of postretirement medical and pension benefits may continue and negatively affect
our business as a result of increased usage of medical benefits by retired employees and medical cost inflation, the effect of potential declines in the stock and bond markets on the performance of our pension and post-retirement plan assets, potential reductions in the discount rate used to determine the present value of our benefit obligations, and changes to our investment strategy that may impact our expected return on pension and post-retirement plan assets assumptions. U.S. generally accepted accounting principles require that we calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial markets and interest rates, which may change based on economic conditions. The Company's accounting policy for defined benefit plans may subject earnings to volatility due to the recognition of actuarial gains and losses, particularly those due to the change in the fair value of pension and post-retirement plan assets and interest rates. In addition, funding requirements for our plans may become more significant. However, the ultimate amounts to be contributed are dependent upon, among other things, interest rates, underlying asset returns, and the impact of legislative or regulatory changes related to pension and post-retirement funding obligations.

We have a substantial amount of indebtedness.

We have indebtedness that is substantial in relation to our shareholders' equity, and we may incur additional indebtedness in the future, or enter into off-balance sheet financing, which would increase our leverage risks. As of January 2, 2016, we had total debt of approximately $7.8 billion and total Kellogg Company equity of $2.1 billion.

Our substantial indebtedness could have important consequences, including:

- impairing the ability to access global capital markets to obtain additional financing for working capital, capital expenditures or general corporate purposes, particularly if the ratings assigned to our debt securities by rating organizations were revised downward or if a rating organization announces that our ratings are under review for a potential downgrade;
- a downgrade in our credit ratings, particularly our short-term credit rating, would likely reduce the amount of commercial paper we could issue, increase our commercial paper borrowing costs, or both;
- restricting our flexibility in responding to changing market conditions or making us more vulnerable in the event of a general downturn in economic conditions or our business;
- requiring a substantial portion of the cash flow from operations to be dedicated to the payment of principal and interest on our debt, reducing the funds available to us for other purposes such as expansion through acquisitions, paying dividends, repurchasing shares, marketing and other spending and expansion of our product offerings; and
- causing us to be more leveraged than some of our competitors, which may place us at a competitive disadvantage.

Our ability to make scheduled payments or to refinance our obligations with respect to indebtedness or incur new indebtedness will depend on our financial and operating performance, which in turn, is subject to prevailing economic conditions, the availability of, and interest rates on, short-term financing, and financial, business and other factors beyond our control.

Our performance is affected by general economic and political conditions and taxation policies.

Customer and consumer demand for our products may be impacted by recession, financial and credit market disruptions, or other economic downturns in the United States or other nations. Our results in the past have been, and in the future may continue to be, materially affected by changes in general economic and political conditions in the United States and other countries, including the interest rate environment in which we conduct business, the financial markets through which we access capital and currency, political unrest and terrorist acts in the United States or other countries in which we carry on business.

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Current economic conditions globally may delay or reduce purchases by our customers and consumers. This could result in reductions in sales of our products, reduced acceptance of innovations, and increased price competition. Deterioration in economic conditions in any of the countries in which we do business could also cause slower collections on accounts receivable which may adversely impact our liquidity and financial condition. Financial institutions may be negatively impacted by economic conditions and may consolidate or cease to do business which could result in a tightening in the credit markets, a low level of liquidity in many financial markets, and increased volatility in fixed income, credit, currency and equity markets. There could be a number of effects from a financial institution credit crisis on our business, which could include impaired credit availability and financial stability of our customers, including our suppliers, co-manufacturers and distributors. A disruption in financial markets may also have an effect on our derivative counterparties and could also impair our banking partners on which we rely for operating cash management. Any of these events would likely harm our business, results of operations and financial condition.

An impairment of the carrying value of goodwill or other acquired intangibles could negatively affect our consolidated operating results and net worth.

The carrying value of goodwill represents the fair value of acquired businesses in excess of identifiable assets and liabilities as of the acquisition date. The carrying value of other intangibles represents the fair value of trademarks, trade names, and other acquired intangibles as of the acquisition date. Goodwill and other acquired intangibles expected to contribute indefinitely to our cash flows are not amortized, but must be evaluated by management at least annually for impairment. If carrying value exceeds current fair value, the intangible is considered impaired and is reduced to fair value via a charge to earnings. Factors which could result in an impairment include, but are not limited to: (i) reduced demand for our products; (ii) higher commodity prices; (iii) lower prices for our products or increased marketing as a result of increased competition; and (iv) significant disruptions to our operations as a result of both internal and external events. Should the value of one or more of the acquired intangibles become impaired, our consolidated earnings and net worth may be materially adversely affected.

As of January 2, 2016, the carrying value of intangible assets totaled approximately $7.2 billion, of which $5.0 billion was goodwill and $2.2 billion represented trademarks, tradenames, and other acquired intangibles compared to total assets of $15.3 billion and total Kellogg Company equity of $2.1 billion.

We must leverage our brand value to compete against retailer brands.

In nearly all of our product categories, we face branded and price-based competition. Our products must provide higher value and/or quality to our consumers than alternatives, particularly during periods of economic uncertainty. Consumers may not buy our products if relative differences in value and/or quality between our products and retailer brands change in favor of competitors' products or if consumers perceive this type of change. If consumers prefer retailer brands, then we could lose category share or sales volumes or shift our product mix to lower margin offerings, which could have a material effect on our business and consolidated financial position and on the consolidated results of our operations and profitability.

We may not achieve our targeted cost savings and efficiencies from cost reduction initiatives.

Our success depends in part on our ability to be an efficient producer in a highly competitive industry. We have invested a significant amount in capital expenditures to improve our operational facilities. Ongoing operational issues are likely to occur when carrying out major production, procurement, or logistical changes and these, as well as any failure by us to achieve our planned cost savings and efficiencies, could have a material adverse effect on our business and consolidated financial position and on the consolidated results of our operations and profitability.

Technology failures could disrupt our operations and negatively impact our business.

We increasingly rely on information technology systems to process, transmit, and store electronic information. For example, our production and distribution facilities and inventory management utilize information technology to increase efficiencies and limit costs. Information technology systems are also integral to the reporting of our results of operations. Furthermore, a significant portion of the communications between, and storage of personal data of, our personnel, customers, consumers and suppliers depends on information technology. Our information technology systems may be vulnerable to a variety of interruptions, as a result of updating our enterprise platform or due to events beyond our control, including, but not limited to, natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers, and other security issues. Moreover, our computer systems have been, and will likely continue to be subjected to computer viruses or other malicious codes, unauthorized access attempts, and cyber- or phishing-attacks. These events could compromise our confidential

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information, impede or interrupt our business operations, and may result in other negative consequences, including remediation costs, loss of revenue, litigation and reputational damage. Furthermore, if a breach or other breakdown results in disclosure of confidential or personal information, we may suffer reputational, competitive and/or business harm. To date, we have not experienced a material breach of cyber security. While we have implemented administrative and technical controls and taken other preventive actions to reduce the risk of cyber incidents and protect our information technology, they may be insufficient to prevent physical and electronic break-ins, cyber-attacks or other security breaches to our computer systems.

Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products and brands.

We consider our intellectual property rights, particularly and most notably our trademarks, but also including patents, trade secrets, copyrights and licensing agreements, to be a significant and valuable aspect of our business. We attempt to protect our intellectual property rights through a combination of patent, trademark, copyright and trade secret laws, as well as licensing agreements, third party nondisclosure and assignment agreements and policing of third party misuses of our intellectual property. Our failure to obtain or adequately protect our trademarks, products, new features of our products, or our technology, or any change in law or other changes that serve to lessen or remove the current legal protections of our intellectual property, may diminish our competitiveness and could materially harm our business.

We may be unaware of intellectual property rights of others that may cover some of our technology, brands or products. Any litigation regarding patents or other intellectual property could be costly and time-consuming and could divert the attention of our management and key personnel from our business operations. Third party claims of intellectual property infringement might also require us to enter into costly license agreements. We also may be subject to significant damages or injunctions against development and sale of certain products.

We are subject to risks generally associated with companies that operate globally.

We are a global company and generated 37% of our 2015 net sales, and 39% of our 2014 and 2013 net sales outside the United States. We manufacture our products in 20 countries and have operations in more than 180 countries, so we are subject to risks inherent in multinational operations. Those risks include:

- compliance with U.S. laws affecting operations outside of the United States, such as OFAC trade sanction regulations and Anti-Boycott regulations,
- compliance with anti-corruption laws, including U.S. Foreign Corrupt Practices Act (FCPA) and U.K. Bribery Act (UKBA),
- compliance with antitrust and competition laws, data privacy laws, and a variety of other local, national and multi-national regulations and laws in multiple regimes,
- changes in tax laws, interpretation of tax laws and tax audit outcomes,
- fluctuations or devaluations in currency values, especially in emerging markets,
- changes in capital controls, including currency exchange controls, government currency policies or other limits on our ability to import raw materials or finished product or repatriate cash from outside the United States,
- changes in local regulations and laws, the uncertainty of enforcement of remedies in foreign jurisdictions, and foreign ownership restrictions and the potential for nationalization or expropriation of property or other resources;
- discriminatory or conflicting fiscal policies,
- increased sovereign risk, such as default by or deterioration in the economies and credit worthiness of local governments,
- varying abilities to enforce intellectual property and contractual rights,
- greater risk of uncollectible accounts and longer collection cycles,
- loss of ability to manage our operations in certain markets which could result in the deconsolidation of such businesses,
- design and implementation of effective control environment processes across our diverse operations and employee base, and
- imposition of more or new tariffs, quotas, trade barriers, and similar restrictions on our sales or regulations, taxes or policies that might negatively affect our sales.

The future results of our Venezuelan operations may be adversely affected by many factors, including our ability to take action to mitigate the effect of a further devaluation of the Venezuelan bolivar, the foreign currency exchange rate and exchange controls, other actions of the Venezuelan government and the general economic conditions in

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the country, resulting from continued hyper-inflation, continued or increased labor unrest and the deteriorating macroeconomic conditions. In particular, any additional government actions, such as imposition of price restrictions that prohibit the Company from pricing its products at acceptable levels, could have a further adverse impact on our results of operations or financial condition that could become material in the future. Additionally, consumer demand for the Company’s products in Venezuela may decline as a result continued inflationary price increases. These and other factors could negatively impact the Company's ability to manage our Venezuelan operations and could result in the deconsolidation of our Venezuelan business. See Note 15 for more information regarding Venezuela.

In addition, political and economic changes or volatility, geopolitical regional conflicts, terrorist activity, political unrest, civil strife, acts of war, public corruption, expropriation and other economic or political uncertainties could interrupt and negatively affect our business operations or customer demand. The slowdown in economic growth or high unemployment in some emerging markets could constrain consumer spending, and declining consumer purchasing power could adversely impact our profitability. Continued instability in the banking and governmental sectors of certain countries in the European Union or the dynamics associated with the federal and state debt and budget challenges in the United States could adversely affect us. All of these factors could result in increased costs or decreased revenues, and could materially and adversely affect our product sales, financial condition and results of operations.

Our operations in certain emerging markets expose us to political, economic and regulatory risks.

Our growth strategy depends in part on our ability to expand our operations in emerging markets. However, some emerging markets have greater political, economic and currency volatility and greater vulnerability to infrastructure and labor disruptions than more established markets. In many countries outside of the United States, particularly those with emerging economies, it may be common for others to engage in business practices prohibited by laws and regulations with extraterritorial reach, such as the FCPA and the UKBA, or local anti-bribery laws. These laws generally prohibit companies and their employees, contractors or agents from making improper payments to government officials, including in connection with obtaining permits or engaging in other actions necessary to do business. Failure to comply with these laws could subject us to civil and criminal penalties that could materially and adversely affect our reputation, financial condition and results of operations.

In addition, competition in emerging markets is increasing as our competitors grow their global operations and low cost local manufacturers expand and improve their production capacities. Our success in emerging markets is critical to our growth strategy. If we cannot successfully increase our business in emerging markets and manage associated political, economic and regulatory risks, our product sales, financial condition and results of operations could be materially and adversely affected.

Adverse changes in the global climate or extreme weather conditions could adversely affect our business or operations

Climate change is a core business issue for Kellogg to ensure the long-term health and viability of the ingredients we use in our products. As set forth in the Intergovernmental Panel on Climate Change Fifth Assessment Report, there is continuing scientific evidence, as well as concern from members of the general public, that emissions of greenhouse gases and contributing human activities have caused and will continue to cause significant changes in global temperatures and weather patterns and increase the frequency or severity of weather events, wildfires and flooding. As the pressures from climate change and global population growth lead to increased demand, the food system and global supply chain is becoming increasingly vulnerable to acute shocks, leading to increased prices and volatility, especially in the energy and commodity markets. Adverse changes such as these could:

- unfavorably impact the cost or availability of raw or packaging materials, especially if such events have a negative impact on agricultural productivity or on the supply of water;
- disrupt our ability, or the ability of our suppliers or contract manufacturers, to manufacture or distribute our products;
- disrupt the retail operations of our customers; or
- unfavorably impact the demand for, or the consumer's ability to purchase, our products.

Foreign, federal, state and local regulatory and legislative bodies have proposed various legislative and regulatory measures relating to climate change, regulating greenhouse gas emissions and energy policies. In the event that such regulation is enacted, we may experience significant increases in our costs of operation and delivery. In particular, increasing regulation of fuel emissions could substantially increase the distribution and supply chain costs associated with our products. Lastly, consumers and customers may put an increased priority on purchasing

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products that are sustainably grown and made, requiring us to incur increased costs for additional transparency, due diligence and reporting. As a result, climate change could negatively affect our business and operations

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters and principal research and development facilities are located in Battle Creek, Michigan.

We operated, as of February 24, 2016, manufacturing plants and distribution and warehousing facilities totaling more than 38 million square feet of building area in the United States and other countries. Our plants have been designed and constructed to meet our specific production requirements, and we periodically invest money for capital and technological improvements. At the time of its selection, each location was considered to be favorable, based on the location of markets, sources of raw materials, availability of suitable labor, transportation facilities, location of our other plants producing similar products, and other factors. Our manufacturing facilities in the United States include four cereal plants and warehouses located in Battle Creek, Michigan; Lancaster, Pennsylvania; Memphis, Tennessee; and Omaha, Nebraska and other plants or facilities in San Jose, California; Atlanta, Augusta, and Rome, Georgia; Chicago, Illinois; Seelyville, Indiana; Kansas City, Kansas; Florence, Louisville, and Pikeville, Kentucky; Grand Rapids and Wyoming, Michigan; Blue Anchor, New Jersey; Cary, North Carolina; Cincinnati and Zanesville, Ohio; Muncy, Pennsylvania; Jackson and Rossville, Tennessee; and Allyn, Washington.

Outside the United States, we had, as of February 24, 2016, additional manufacturing locations, some with warehousing facilities, in Australia, Belgium, Brazil, Canada, Colombia, Ecuador, Egypt, Germany, Great Britain, India, Japan, Malaysia, Mexico, Poland, Russia, South Africa, South Korea, Spain, Thailand, and Venezuela. We also have joint ventures in China, Nigeria, and Turkey which own or operate manufacturing or warehouse facilities.

We generally own our principal properties, including our major office facilities, although some manufacturing facilities are leased, and no owned property is subject to any major lien or other encumbrance. Distribution facilities (including related warehousing facilities) and offices of non-plant locations typically are leased. In general, we consider our facilities, taken as a whole, to be suitable, adequate, and of sufficient capacity for our current operations.

ITEM 3. LEGAL PROCEEDINGS

We are subject to various legal proceedings, claims, and governmental inspections, audits or investigations arising out of our business which cover matters such as general commercial, governmental regulations, antitrust and trade regulations, product liability, environmental, intellectual property, employment and other actions. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on our financial position or results of operations.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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Information on the market for our common stock, number of shareowners and dividends is located in Note 16 within Notes to Consolidated Financial Statements.

In February 2014, the board of directors approved a share repurchase program authorizing us to repurchase shares of our common stock amounting to $1.5 billion through December 2015. In December 2015, the board of directors approved a share repurchase program authorizing us to repurchase shares of our common stock amounting to $1.5 billion beginning in January 2016 through December 2017.

The following table provides information with respect to purchases of common shares under programs authorized by our board of directors during the quarter ended January 2, 2016.

(millions, except per share data)

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Month #1: 10/04/15-10/31/15	—	—	—	$ 688
Month #2: 11/01/15-11/28/15	1.8	68.68	1.8	$ 563
Month #3: 11/29/15-1/02/16	3.2	70.24	3.2	$ 338

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ITEM 6. SELECTED FINANCIAL DATA

Kellogg Company and Subsidiaries

Selected Financial Data

(millions, except per share data and number of employees)	2015	2014	2013	2012	2011
Operating trends					
Net sales (a)	**$ 13,525**	$ 14,580	$ 14,792	$ 14,197	$ 13,198
Gross profit as a % of net sales (a)	**34.6%**	34.7%	41.3%	38.3%	39.0%
Depreciation	**526**	494	523	444	367
Amortization	**8**	9	9	4	2
Advertising expense (b)	**898**	1,094	1,131	1,120	1,138
Research and development expense	**193**	199	199	206	192
Operating profit (a)	**1,091**	1,024	2,837	1,562	1,427
Operating profit as a % of net sales (a)	**8.1%**	7.0%	19.2%	11.0%	10.8%
Interest expense	**227**	209	235	261	233
Net income attributable to Kellogg Company (a)	**614**	632	1,807	961	866
Average shares outstanding:					
Basic	**354**	358	363	358	362
Diluted	**356**	360	365	360	364
Per share amounts:					
Basic	**1.74**	1.76	4.98	2.68	2.39
Diluted (a)	**1.72**	1.75	4.94	2.67	2.38
Cash flow trends					
Net cash provided by operating activities	**$ 1,691**	$ 1,793	$ 1,807	$ 1,758	$ 1,595
Capital expenditures	**553**	582	637	533	594
Net cash provided by operating activities reduced by capital expenditures (c)	**1,138**	1,211	1,170	1,225	1,001
Net cash used in investing activities	**(1,127)**	(573)	(641)	(3,245)	(587)
Net cash provided by (used in) financing activities	**(706)**	(1,063)	(1,141)	1,317	(957)
Interest coverage ratio (d)	**6.8**	**7.3**	**14.3**	**7.8**	**7.7**
Capital structure trends					
Total assets	**$ 15,265**	$ 15,153	$ 15,474	$ 15,169	$ 11,943
Property, net	**3,621**	3,769	3,856	3,782	3,281
Short-term debt and current maturities of long-term debt	**2,470**	1,435	1,028	1,820	995
Long-term debt	**5,289**	5,935	6,330	6,082	5,037
Total Kellogg Company equity	**2,128**	2,789	3,545	2,404	1,796
Share price trends					
Stock price range	**$61-74**	$57-69	$55-68	$46-57	$48-58
Cash dividends per common share	**1.98**	1.90	1.80	1.74	1.67
Number of employees	**33,577**	29,818	30,277	31,006	30,671

(a) Non-GAAP currency-neutral comparable definitions of these metrics are reconciled to the directly comparable measure in accordance with U.S. GAAP within our Management's Discussion and Analysis. We believe the use of such non-GAAP measures provides increased transparency and assists in understanding our underlying operating performance.

(b) Advertising and consumer promotions are included in total brand-building, a measure that we use to determine the level of investment we make to support our brands. Advertising has declined in 2015 as a result of foreign currency translation as well as the implementation of efficiency and effectiveness programs including a shift in investments to non-advertising consumer promotion programs. Total brand-building investment has declined in 2015 approximately 50 basis points as a percentage of net sales. Our brand building is down including shifts of investment into other areas such as food, the evolving shift in media investment from TV to digital, and efficiency and effectiveness benefits. Our zero-based budgeting initiative may identify additional efficiency and effectiveness opportunities in brand building as we proceed through 2016. We may choose to reinvest these savings back into brand building or other areas such as food reformulation or capacity to drive revenue growth. We remain committed to invest in our brands at an industry-leading level to maintain the strength of our many recognizable brands in the marketplace.

(c) We use this non-GAAP financial measure, which is reconciled above, to focus management and investors on the amount of cash available for debt repayment, dividend distribution, acquisition opportunities, and share repurchase.

(d) Interest coverage ratio is calculated based on net income attributable to Kellogg Company before interest expense, income taxes, depreciation and amortization, divided by interest expense.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Kellogg Company and Subsidiaries

RESULTS OF OPERATIONS

Business overview

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the reader understand Kellogg Company, our operations and our present business environment. MD&A is provided as a supplement to, and should be read in conjunction with, our Consolidated Financial Statements and the accompanying notes thereto contained in Item 8 of this report.

For more than 100 years, consumers have counted on Kellogg for great-tasting, high-quality and nutritious foods. Kellogg is the world's leading producer of cereal, second largest producer of cookies and crackers, and a leading producer of savory snacks and frozen foods. Additional product offerings include toaster pastries, cereal bars, fruit-flavored snacks and veggie foods. Kellogg products are manufactured and marketed globally.

Segments and growth targets

During Q1 2015, we established a new Kashi operating segment in order to optimize future growth potential of this business. This operating segment is included in the North America Other reportable segment. Including this new operating segment, we manage our operations through nine operating segments that are based on product category or geographic location. These operating segments are evaluated for similarity with regards to economic characteristics, products, production processes, types or classes of customers, distribution methods and regulatory environments to determine if they can be aggregated into reportable segments. We report results of operations in the following reportable segments: U.S. Morning Foods; U.S. Snacks; U.S. Specialty; North America Other; Europe; Latin America; and Asia Pacific. The reportable segments are discussed in greater detail in Note 17 within Notes to Consolidated Financial Statements.

We manage our Company for sustainable performance defined by our long-term annual growth targets. Our targeted long-term annual growth is low-single-digit (1 to 3%) for currency-neutral comparable net sales, mid-single-digit (4 to 6%) for currency-neutral comparable operating profit, and high-single-digit (7 to 9%) for currency-neutral comparable diluted net earnings per share (EPS).

Significant items impacting comparability

Project K and cost reduction activities

During 2013, we announced Project K, a four-year efficiency and effectiveness program. The program is expected to generate a significant amount of savings that may be invested in key strategic areas of focus for the business. We expect that this investment will drive future growth in revenues, gross margin, operating profit, and cash flow. We recorded pre-tax charges related primarily to Project K of $311 million in 2015, $298 million in 2014, and $250 million in 2013.

In 2015 we initiated the implementation of a zero-based budgeting (ZBB) program in our North America business. In support of the ZBB initiative, we incurred pre-tax charges of approximately $12 million in 2015.

See the Restructuring and cost reduction activities section for more information.

Acquisitions and dispositions

In September 2015, we completed the acquisition of Mass Foods, Egypt's leading cereal company for $46 million, or $44 million net of cash and cash equivalents acquired. The acquisition added $4 million in incremental net sales to our reported results in the European reportable segment for 2015. The acquisition added less than $1 million of incremental operating profit (before transaction and integration costs) to our reported results for 2015.

In January 2015, we completed the acquisition of a majority interest in Bisco Misr, the number one packaged biscuits company in Egypt for $125 million, or $117 million net of cash and cash equivalents acquired. The acquisition added $54 million in incremental net sales to our reported results in the European reportable segment for 2015. The acquisition added $4 million of incremental operating profit (before transaction and integration costs) to our reported results for 2015.

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During the quarter ended September 27, 2014, we entered into an agreement to sell our vegan and vegetarian canned-meat substitute business unit under the Loma Linda brand to Atlantic Natural Foods (ANF), LLC of Nashville, N.C. The disposition negatively impacted reported net sales in the U.S. Specialty reportable segment by approximately $9 million in 2015.

Integration and transaction costs
We have incurred integration and transaction costs related to the 2015 acquisitions of Bisco Misr and Mass Foods, the 2015 entry into a joint venture with Tolaram Africa, and the 2012 acquisition of Pringles as we move these businesses into the Kellogg business model. We recorded pre-tax integration and transaction costs of $30 million in 2015. We also recorded pre-tax integration costs of $43 million and $65 million in 2014 and 2013, respectively.

Mark-to-market accounting for pension plans, commodities and certain foreign currency contracts
We recognize mark-to-market adjustments for pension plans, commodity contracts, and certain foreign currency contracts as incurred. Actuarial gains/losses for pension plans are recognized in the year they occur. Changes between contract and market prices for commodities contracts and certain foreign currency contracts result in gains/losses that are recognized in the quarter they occur. We recorded pre-tax mark-to-market charges of $446 million, $784 million, and a benefit of $947 million for 2015, 2014, and 2013, respectively.

Other costs impacting comparability
In 2015, a series of previously executed agreements between Kellogg's and a third party variable interest entity (VIE) were terminated resulting in our determination that we were no longer the primary beneficiary of the VIE. Accordingly, we deconsolidated the financial statements of the VIE. As a result of the agreement terminations and related settlements, we recognized a loss of $19 million in Other income (expense), net.

In connection with the deconsolidation, we derecognized all assets and liabilities of the VIE, including an allocation of a portion of goodwill from the U.S. Snacks operating segment, resulting in a $67 million non-cash gain, which was recorded within operating profit.

During 2014 we incurred $6 million of costs related to the evaluation of potential acquisitions.

Venezuela remeasurement and long-lived asset impairment
While we continue to qualify for participation in CENCOEX at the official rate, there has been a continued reduction in the level of U.S. dollars available to exchange, in part due to recent declines in the price of oil and the overall decline of the macroeconomic environment within the country. We have experienced an increase in the amount of time it takes to exchange bolivars for U.S. dollars through the CENCOEX exchange during the year. Given this economic backdrop, and upon review of U.S. dollar cash needs in our Venezuela operations as of the quarter ended July 4, 2015, we concluded that we were no longer able to obtain sufficient U.S. dollars on a timely basis through the CENCOEX exchange to support our Venezuela operations resulting in a decision to remeasure our Venezuela subsidiary's financial statements using the SIMADI rate. We have evaluated all of the facts and circumstances surrounding our Venezuelan business and determined that as of January 2, 2016 the SIMADI rate continues to be the appropriate rate to use for remeasuring our Venezuelan subsidiary’s financial statements.

In connection with the change from the CENCOEX rate to the SIMADI rate that occurred in the quarter ended July 4, 2015, we evaluated the carrying value of our non-monetary assets for impairment and lower of cost or market adjustments. As a result of moving from the CENCOEX official rate to the SIMADI rate, we recorded pre-tax charges totaling $152 million, including $112 million in the Latin America operating segment and $40 million in the Corporate operating segment. Of the total charges, $100 million was recorded in COGS, $3 million was recorded in SGA, and $49 million was recorded in Other income (expense), net. These charges consist of $47 million related to the remeasurement of net monetary assets denominated in Venezuelan bolivar at the SIMADI exchange rate (recorded in Other income (expense), net), $56 million related to reducing inventory to the lower of cost or market (recorded in COGS) and $49 million related to the impairment of long-lived assets in Venezuela (recorded primarily in COGS).

As expected, after moving to the SIMADI rate, our Venezuelan subsidiary utilized assets that continued to be remeasured at historical exchange rates. This resulted in an additional unfavorable impact of $17 million in the Latin America operating segment, including an impact to COGS of $12 million and SGA of $5 million. The total 2015 impact of moving from the CENCOEX official rate to the SIMADI rate was $169 million on a pre-tax basis, or approximately $.42 on a fully-diluted EPS basis.

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As of January 2, 2016, certain non-monetary assets related to our Venezuelan subsidiary continue to be remeasured at historical exchange rates. As these assets are utilized by our Venezuelan subsidiary during the first half of 2016 they will be recognized in the income statement at historical exchange rates resulting in an unfavorable impact of approximately $4 million.

Shipping day differences

The Company's fiscal year normally ends on the Saturday closest to December 31 and as a result, a 53rd week is added approximately every sixth year. The Company's 2014 fiscal year ended on January 3, 2015, and included a 53rd week. While quarters normally consist of 13-week periods, the fourth quarter of 2014 included a 14th week. For comparability, the impact of the 53rd week is excluded from our comparable results. The impact of the fourth quarter 2014 53rd week was $197 million for net sales, $36 million for operating profit and $.07 on a fully-diluted EPS basis.

Foreign currency translation and the impact of Venezuela

We evaluate the operating results of our business on a currency-neutral basis. We determine currency-neutral operating results by dividing or multiplying, as appropriate, the current-period local currency operating results by the currency exchange rates used to translate our financial statements in the comparable prior-year period to determine what the current period U.S. dollar operating results would have been if the currency exchange rate had not changed from the comparable prior-year period.

As a result of our decision to change the exchange rate that we use to remeasure our Venezuela subsidiary from CENCOEX to the SIMADI exchange rate beginning mid-2015, the methodology we use to calculate the impact of foreign currency translation, as described above, results in certain year-over-year growth rates that require additional commentary. We believe that the use of our standard currency-neutral methodology in combination with the additional commentary provides important information to more fully understand our currency-neutral operating results.

Our 2015 guidance that was maintained consistently throughout the year reflected an expectation of being approximately flat for currency-neutral comparable net sales and a decline of 2% to 4% for currency-neutral comparable operating profit. Within this guidance, Venezuela was expected to contribute approximately 1% of growth for both currency-neutral comparable net sales and currency-neutral comparable operating profit. In the second half of 2015, the Venezuela business experienced significant unplanned inflation that impacted both currency-neutral comparable net sales and operating profit that was much larger than anticipated in the guidance. To provide increased visibility into how we have delivered against our 2015 guidance, the commentary below provides both currency-neutral comparable results, which include the entire impact of Venezuela, as well as an adjusted measure that excludes the impact of Venezuela.

For the quarter ended January 2, 2016, Latin America currency-neutral comparable net sales and operating profit growth were 45.3% and 46.2% respectively. Excluding Venezuela, Latin America currency-neutral comparable net sales and operating profit growth would have been approximately 1.4% and 2.0%, respectively.

For the year-to-date period ended January 2, 2016, Latin America currency-neutral comparable net sales and operating profit growth were 24.6% and 15.4% respectively. Excluding Venezuela, Latin America currency-neutral comparable net sales and operating profit growth would have been approximately 1.3% and a decline of 3.4%, respectively.

For the quarter ended January 2, 2016, Kellogg Consolidated currency-neutral comparable net sales and operating profit growth was 4.2% and 2.8%, respectively. Excluding Venezuela, Kellogg Consolidated currency-neutral comparable net sales and operating profit growth would have been approximately 0.4% and 0.3%, respectively.

For the year-to-date period ended January 2, 2016, Kellogg Consolidated currency-neutral comparable net sales and operating profit growth was 1.2% and a decline of 2.3%, respectively. Excluding Venezuela, Kellogg Consolidated currency-neutral comparable net sales and operating profit would have declined by 0.8% and 3.6%, respectively.

Non-GAAP Measures

Comparability of certain financial measures is affected significantly by several types of financial impacts such as foreign currency translation, integration and transaction costs, mark-to-market adjustments for pension plans,

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commodities and certain foreign currency contracts, Project K costs, costs associated with the Venezuela remeasurement and long-lived asset impairment, costs associated with the VIE deconsolidation, differences in shipping days, acquisitions, dispositions, and other costs impacting comparability. To provide increased transparency and assist in understanding our comparable operating performance, we use non-GAAP financial measures within MD&A that exclude these financial impacts.

Non-GAAP financial measures used include comparable net sales, currency-neutral comparable net sales, comparable net sales growth, currency-neutral comparable net sales growth, comparable gross margin, currency-neutral comparable gross margin, comparable gross profit, currency-neutral comparable gross profit, comparable SGA%, currency-neutral comparable SGA%, comparable operating margin, currency-neutral comparable operating margin, comparable operating profit, currency-neutral comparable operating profit, comparable operating profit growth, currency-neutral comparable operating profit growth, comparable income taxes, currency-neutral comparable income taxes, comparable effective tax rate, currency-neutral comparable effective tax rate, comparable net income attributable to Kellogg Company, currency-neutral comparable net income attributable to Kellogg Company, comparable diluted EPS, currency-neutral comparable diluted EPS, comparable diluted EPS growth, and currency-neutral comparable diluted EPS growth.

Financial results

For the full year 2015, our reported net sales decreased by 7.2% due to the negative impact of foreign currency translation and shipping day differences from the 53rd week that was recognized in the prior year. Currency-neutral comparable net sales increased by 1.2%, which was better than our expectations, and includes the benefit of pricing taken in Venezuela to offset cost inflation. We experienced currency-neutral comparable net sales growth in Latin America, which was driven primarily by pricing taken in Venezuela. We also experienced currency-neutral comparable net sales growth in Asia-Pacific, U. S. Specialty and the Canadian business which is included in the North America Other reportable segment.

Reported operating profit increased by 6.6% primarily due to the favorable year-over-year change in the pension mark-to-market which was partially offset by the negative impact of foreign currency translation, the impact of remeasuring our Venezuela business using the SIMADI rate in the second quarter of 2015, and the impact of resetting incentive compensation levels. Currency-neutral comparable operating profit declined by 2.3%, at the high end of our expectations, due to the resetting of incentive compensation levels which impacted results by approximately 3%. The 1% growth excluding the effect of resetting incentive compensation levels was the result of sales growth and a 50 basis point reduction in brand-building investment as a percentage of net sales. Our brand building is down including shifts of investment into other areas such as food, the evolving shift in media investment from TV to digital, and efficiency and effectiveness benefits. Our zero-based budgeting initiative may identify additional efficiency and effectiveness opportunities in brand building as we proceed through 2016. We may choose to reinvest these savings back into brand building or other areas such as food reformulation or capacity to drive revenue growth. We remain committed to invest in our brands at an industry-leading level to maintain the strength of our many recognizable brands in the marketplace.

Reported diluted EPS of $1.72 was down 1.7% compared to the prior year of $1.75. Reported diluted EPS was impacted negatively by Project K costs ($.64), mark-to-market accounting ($.84), the remeasurement of the Venezuelan business using the SIMADI rate ($.42), foreign currency translation ($.28), and integration costs ($.06), and was impacted positively by a VIE deconsolidation ($.14) and acquisitions ($.01). Currency-neutral comparable diluted EPS of $3.81 was flat compared to prior year of $3.81, in line with our expectations.

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Reconciliation of certain non-GAAP Financial Measures

Consolidated results (dollars in millions, except per share data)		2015		2014
Reported net income attributable to Kellogg Company	$	**614**	$	632
Mark-to-market		**(298)**		(513)
Project K and cost reduction activities		**(229)**		(218)
VIE deconsolidation and other costs impacting comparability		**50**		(4)
Integration and transaction costs		**(22)**		(31)
Acquisitions/divestitures		**5**		—
Shipping day differences		**—**		25
Venezuela remeasurement		**(149)**		—
Comparable net income attributable to Kellogg Company	$	**1,257**	$	1,373
Foreign currency impact		**(100)**		—
Currency neutral comparable net income attributable to Kellogg Company	$	**1,357**	$	1,373
Reported diluted EPS	$	**1.72**	$	1.75
Mark-to-market		**(0.84)**		(1.42)
Project K and cost reduction activities		**(0.64)**		(0.61)
VIE deconsolidation and other costs impacting comparability		**0.14**		(0.01)
Integration and transaction costs		**(0.06)**		(0.09)
Acquisitions/divestitures		**0.01**		—
Shipping day differences		**—**		0.07
Venezuela remeasurement		**(0.42)**		—
Comparable diluted EPS	$	**3.53**	$	3.81
Foreign currency impact		**(0.28)**		—
Currency neutral comparable diluted EPS	$	**3.81**	$	3.81
Currency neutral comparable diluted EPS growth		**—%**		

For more information on reconciling items in the table above, please refer to the Significant items impacting comparability section.

Consolidated results (dollars in millions, except per share data)		2014		2013
Reported net income attributable to Kellogg Company	$	632	$	1,807
Mark-to-market		(513)		628
Project K and cost reduction activities		(218)		(183)
VIE deconsolidation and other costs impacting comparability		(4)		—
Integration and transaction costs		(31)		(46)
Acquisitions/divestitures		—		2
Shipping day differences		25		—
Venezuela remeasurement		—		(11)
Comparable net income attributable to Kellogg Company	$	1,373	$	1,417
Foreign currency impact		(2)		—
Currency neutral comparable net income attributable to Kellogg Company	$	1,375	$	1,417
Reported diluted EPS	$	1.75	$	4.94
Mark-to-market		(1.42)		1.72
Project K and cost reduction activities		(0.61)		(0.50)
VIE deconsolidation and other costs impacting comparability		(0.01)		—
Integration and transaction costs		(0.09)		(0.13)
Acquisitions/divestitures		—		0.01
Shipping day differences		0.07		—
Venezuela remeasurement		—		(0.03)
Comparable diluted EPS	$	3.81	$	3.87
Foreign currency impact		(0.01)		—
Currency neutral comparable diluted EPS	$	3.82	$	3.87
Currency neutral comparable diluted EPS growth		(1.3)%		

For more information on reconciling items in the table above, please refer to the Significant items impacting comparability section.

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Net sales and operating profit

2015 compared to 2014

The following tables provide an analysis of net sales and operating profit performance for 2015 versus 2014:

Year ended January 2, 2016									
(millions)	**U.S. Morning Foods**	**U.S. Snacks**	**U.S. Specialty**	**North America Other**	**Europe**	**Latin America**	**Asia Pacific**	**Corporate**	**Kellogg Consolidated**
Reported Net Sales	**$ 2,992**	**$ 3,234**	**$ 1,181**	**$ 1,687**	**$ 2,497**	**$ 1,015**	**$ 919**	**$ —**	**$ 13,525**
Project K and cost reduction activities	**—**	**—**	**—**	**(2)**	**(2)**	**—**	**—**	**—**	**(4)**
Integration and transaction costs	**—**	**—**	**—**	**—**	**—**	**—**	**(1)**	**—**	**(1)**
Acquisitions/divestitures	**—**	**—**	**—**	**—**	**58**	**—**	**—**	**—**	**58**
Differences in shipping days	**—**	**—**	**—**	**—**	**(3)**	**—**	**—**	**—**	**(3)**
Comparable Net Sales	**$ 2,992**	**$ 3,234**	**$ 1,181**	**$ 1,689**	**$ 2,444**	**$ 1,015**	**$ 920**	**$ —**	**$ 13,475**
Foreign currency impact	**—**	**—**	**—**	**(86)**	**(376)**	**(486)**	**(121)**	**—**	**(1,069)**
Currency-Neutral Comparable Net Sales	**$ 2,992**	**$ 3,234**	**$ 1,181**	**$ 1,775**	**$ 2,820**	**$ 1,501**	**$ 1,041**	**$ —**	**$ 14,544**

Year ended January 3, 2015									
(millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	North America Other	Europe	Latin America	Asia Pacific	Corporate	Kellogg Consolidated
Reported Net Sales	$ 3,108	$ 3,329	$ 1,198	$ 1,864	$ 2,869	$ 1,205	$ 1,007	$ —	$ 14,580
Project K and cost reduction activities	—	—	—	(1)	—	(1)	—	—	(2)
Integration and transaction costs	—	—	—	—	—	—	(1)	—	(1)
Acquisitions/divestitures	—	—	9	—	—	—	—	—	9
Differences in shipping days	66	44	16	30	32	1	8	—	197
Comparable Net Sales	$ 3,042	$ 3,285	$ 1,173	$ 1,835	$ 2,837	$ 1,205	$ 1,000	$ —	$ 14,377
Foreign currency impact	—	—	—	—	—	—	—	—	—
Currency-Neutral Comparable Net Sales	$ 3,042	$ 3,285	$ 1,173	$ 1,835	$ 2,837	$ 1,205	$ 1,000	$ —	$ 14,377
% change - 2015 vs. 2014:									
As Reported	**(3.7)%**	**(2.9)%**	**(1.4)%**	**(9.5)%**	**(13.0)%**	**(15.8)%**	**(8.8)%**	**—%**	**(7.2)%**
Project K and cost reduction activities	— %	— %	— %	— %	(0.1)%	— %	— %	—%	— %
Integration and transaction costs	— %	— %	— %	— %	— %	— %	(0.1)%	—%	— %
Acquisitions/divestitures	— %	— %	(0.8)%	— %	2.0 %	— %	— %	—%	0.4 %
Differences in shipping days	(2.1)%	(1.3)%	(1.3)%	(1.5)%	(1.1)%	— %	(0.8)%	—%	(1.3)%
Comparable growth	**(1.6)%**	**(1.6)%**	**0.7 %**	**(8.0)%**	**(13.8)%**	**(15.8)%**	**(7.9)%**	**—%**	**(6.3)%**
Foreign currency impact	— %	— %	— %	(4.8)%	(13.2)%	(40.4)%	(11.9)%	—%	(7.5)%
Currency-Neutral Comparable growth	**(1.6)%**	**(1.6)%**	**0.7 %**	**(3.2)%**	**(0.6)%**	**24.6 %**	**4.0 %**	**—%**	**1.2 %**

For more information on reconciling items in the table above, please refer to the Significant items impacting comparability section.

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Year ended January 2, 2016 (millions)	**U.S. Morning Foods**	**U.S. Snacks**	**U.S. Specialty**	**North America Other**	**Europe**	**Latin America**	**Asia Pacific**	**Corporate**	**Kellogg Consolidated**
Reported Operating Profit	**$ 474**	**$ 385**	**$ 260**	**$ 178**	**$ 247**	**$ 9**	**$ 54**	**$ (516)**	**$ 1,091**
Mark-to-market	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(446)**	**(446)**
Project K and cost reduction activities	**(58)**	**(50)**	**(5)**	**(63)**	**(74)**	**(4)**	**(13)**	**(56)**	**(323)**
Other costs impacting comparability	**—**	**67**	**—**	**—**	**—**	**—**	**—**	**—**	**67**
Integration and transaction costs	**—**	**—**	**—**	**—**	**(11)**	**(3)**	**(14)**	**(2)**	**(30)**
Acquisitions/divestitures	**—**	**—**	**—**	**—**	**4**	**—**	**—**	**—**	**4**
Differences in shipping days	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Venezuela remeasurement	—	—	—	—	—	(119)	—	(1)	(120)
Comparable Operating Profit	**$ 532**	**$ 368**	**$ 265**	**$ 241**	**$ 328**	**$ 135**	**$ 81**	**$ (11)**	**$ 1,939**
Foreign currency impact	**2**	**—**	**—**	**(15)**	**(29)**	**(72)**	**(13)**	**(5)**	**(132)**
Currency-Neutral Comparable Operating Profit	**$ 530**	**$ 368**	**$ 265**	**$ 256**	**$ 357**	**$ 207**	**$ 94**	**$ (6)**	**$ 2,071**

Year ended January 3, 2015 (millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	North America Other	Europe	Latin America	Asia Pacific	Corporate	Kellogg Consolidated
Reported Operating Profit	$ 479	$ 364	$ 266	$ 295	$ 232	$ 169	$ 53	$ (834)	$ 1,024
Mark-to-market	—	—	—	—	—	—	—	(784)	(784)
Project K and cost reduction activities	(60)	(57)	(3)	(18)	(80)	(8)	(37)	(35)	(298)
Other costs impacting comparability	—	—	—	—	—	—	—	(6)	(6)
Integration and transaction costs	—	—	—	—	(36)	—	(7)	—	(43)
Acquisitions/divestitures	—	—	—	—	—	—	—	—	—
Differences in shipping days	19	6	3	8	6	(3)	—	(3)	36
Venezuela remeasurement	—	—	—	—	—	—	—	—	—
Comparable Operating Profit	$ 520	$ 415	$ 266	$ 305	$ 342	$ 180	$ 97	$ (6)	$ 2,119
Foreign currency impact	—	—	—	—	—	—	—	—	—
Currency-Neutral Comparable Operating Profit	$ 520	$ 415	$ 266	$ 305	$ 342	$ 180	$ 97	$ (6)	$ 2,119
% change - 2015 vs. 2014:									
As Reported	**(0.9)%**	**5.9 %**	**(2.4)%**	**(39.8)%**	**6.7 %**	**(94.8)%**	**1.7 %**	**38.1 %**	**6.6 %**
Mark-to-market	— %	— %	— %	— %	— %	— %	— %	78.5 %	21.6 %
Project K and cost reduction activities	0.4 %	2.6 %	(0.6)%	(16.5)%	3.7 %	(2.2)%	26.6 %	(50.3)%	(3.3)%
Other costs impacting comparability	— %	15.8 %	— %	— %	0.1 %	— %	0.1 %	51.8 %	3.4 %
Integration and transaction costs	— %	(0.1)%	— %	— %	7.3 %	(1.4)%	(9.1)%	(10.0)%	0.3 %
Acquisitions/divestitures	— %	— %	— %	— %	1.3 %	— %	— %	— %	0.2 %
Differences in shipping days	(3.7)%	(1.1)%	(1.0)%	(2.0)%	(1.7)%	0.2 %	0.3 %	50.2 %	(1.4)%
Venezuela remeasurement	— %	— %	— %	— %	— %	(66.5)%	— %	(15.1)%	(5.7)%
Comparable growth	**2.4 %**	**(11.3)%**	**(0.8)%**	**(21.3)%**	**(4.0)%**	**(24.9)%**	**(16.2)%**	**(67.0)%**	**(8.5)%**
Foreign currency impact	0.3 %	— %	— %	(5.2)%	(8.3)%	(40.3)%	(12.5)%	(62.9)%	(6.2)%
Currency-Neutral Comparable growth	**2.1 %**	**(11.3)%**	**(0.8)%**	**(16.1)%**	**4.3 %**	**15.4 %**	**(3.7)%**	**(4.1)%**	**(2.3)%**

For more information on reconciling items in the table above, please refer to the Significant items impacting comparability section.

U.S. Morning Foods

Currency-neutral comparable net sales declined 1.6% as a result of unfavorable volume and pricing/mix. This segment consists of cereal, toaster pastries, health and wellness bars, and beverages.

We saw a lot of improvement across the year in the Morning Foods business. We invested where we needed

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to and worked hard to improve the fundamentals by improving our brand building and the new products we
launched. We also invested in our foods and put fun back in the box with *Avengers*® and *Disney Frozen*®-themed cereals.

Our cereal business reported a decline for the full year, although we continued to reflect improving trends throughout the year, and we reported consumption growth and share gains in the fourth quarter as our business continues to improve ahead of category trends. Our six core cereals in combination (*Special K*®, *Raisin Bran*®, *Frosted Flakes*®, *Mini-Wheats*®, *Froot Loops*®, and *Rice Krispies*®) gained share and increased consumption for the year, with even stronger growth in both share and consumption in the fourth quarter. *Special K*® posted consumption growth and share gains for the year and even stronger results for the fourth quarter driven primarily by the renovation work we completed on *Special K*® Red Berries. The good growth we saw all year on *Raisin Bran*® was the result of great advertising and the introduction of *Raisin Bran*® with Cranberries.

We expect to continue driving sales in 2016 with the introduction of new products like *Special K*® Nourish, a cereal with positive nutrition and ingredients the consumer can see, and the food includes fruits, nuts and on-trend grains like quinoa. Initial response on this innovation has been encouraging. In addition, we're launching *Mini-Wheats*® Harvest Delights, *Smorz*®, and *Disney Dory*®-themed cereal.

Toaster pastries reported a slight sales decline for the year. Health and wellness bars and beverages each reported a sales decline.

Currency-neutral comparable operating profit increased 2.1% due to improved gross margins resulting from lower input costs and Project K savings as well as lower brand-building investment. This was partially offset by the sales performance, increased distribution costs, and resetting of incentive compensation levels.

U.S. Snacks

Currency-neutral comparable net sales declined 1.6% as a result of decreased volume which was partially offset by favorable pricing/mix. This segment consists of crackers, cereal bars, cookies, savory snacks, and fruit-flavored snacks.

Crackers posted a sales decline as consumption declined across several of our products, while consumption increased for our Big 3 brands in combination (*Cheez-It*®*, Town House*®, and *Club*®). The consumption decline was due primarily to weakness in *Special K*® Cracker Chips during the first half of the year and full-year weakness in *Special K*® Popcorn Chips. The *Special K*® Cracker Chips products we restaged earlier this year posted consumption growth for the past two quarters as a result of improvements in packaging and food. We expect the impact of the remaining skus to lessen as we progress through 2016. The consumption increase for our Big 3 brands was primarily the result of strong consumption and share gains in *Cheez-It*® due to the *Cheez-It*® Grooves and *Cheez-It*® Extra Toasty innovations.

The bars business declined due to weakness in the *Special K*® and *Fiber Plus*® brands. The performance of our *Special K* bars has improved in the second half of the year as a result of new products and renovation that occurred early in the year and good results from *Special K*® Chewy Nut bars that were launched in mid-2015. *Rice Krispies Treats*® reported double-digit consumption gains and gained share as a result of good core growth and innovation.

The cookies business consumption declined for the year resulting in lost share, although we have seen improving trends over the second half of 2015 as a result of good performance in *Chips Deluxe*®*, Fudge Shoppe*®, and *Famous Amos*® due to expanded distribution, new products, and increased in-store activity. We have great brands in the category and we have some exciting new introductions planned for 2016. We are also going to give the brands new support in 2016, including the relaunch of advertising featuring the *Keebler*® Elves.

Savory snacks reported low-single-digit growth as a result of consumption growth due to core products and innovations. The *Pringles*® business had a good year including strength in the on-the-go segment. As we enter the
new year we are adding new capacity and we have good plans; as a result, we look forward to a strong 2016.

Currency-neutral comparable operating profit declined by 11.3% due to unfavorable sales performance and the resetting of incentive compensation levels.

U.S. Specialty

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Currency-neutral comparable net sales increased 0.7% as a result of favorable pricing/mix which was partially offset by decreased volume. Sales growth was reported in the Convenience and Vending channels, partially offset by a slight decline in Foodservice partially due to the exit of some unprofitable business early in the year.

Currency-neutral comparable operating profit declined by 0.8% due to the resetting of incentive compensation levels which more than offset the favorable sales performance.

North America Other

Currency-neutral comparable net sales declined 3.2% due to decreased volume and unfavorable pricing/mix.

The U.S. Frozen business reported a net sales decline due to the impact from egg prices, network improvements, and a decision to draw down inventories due to changes in packaging from boxes to bags for our veggie foods business. The packaging conversion is going well, but we expect sales to continue to be impacted in the first quarter of 2016 and for performance to improve over the balance of the year. The *Eggo®* hand-held sandwiches posted double-digit consumption growth and share gains for the year.

The Canada business reported a broad-based net sales increase across several categories for the year. For 2016, the Canadian team is planning introductions of new products and improved support, much like the rest of the North American region.

Kashi reported a double-digit net sales decline although the business continues to experience stabilized distribution and sequential improvement across the last two quarters in part due to the impact of the introduction of new products in the second half of 2015. *Bear Naked®* Granola posted double-digit consumption growth for the year. We expect continued improvement in 2016 due to further improvement in distribution and the impact of a focus on new products high in protein from plants.

Currency-neutral comparable operating profit declined 16.1% primarily due to unfavorable sales performance in the U.S. Frozen and Kashi businesses, net cost inflation including transactional currency expense in the Canadian business and increased material costs in the U.S. Frozen business, and the resetting of incentive compensation levels.

Europe

Currency-neutral comparable net sales declined 0.6% as a result of relatively flat volume and unfavorable pricing/mix.

The *Pringles®* business posted strong, double-digit net sales growth as a result of good promotions, innovations and distribution gains throughout the year. Both the base business and the launch of *Pringles®* Tortilla in the UK and Germany contributed. We have some exciting activity planned for *Pringles®* in 2016 as well, including soccer-themed activity planned to coincide with the Euros soccer tournament in the summer and the continued roll-out of *Pringles®* Tortilla in the region.

The wholesome snacks business posted growth in the second half of the year. This was due to better results in the UK driven in part by *Disney®*-branded snacks, mini biscuits, *Crunchy Nut®*, and *Rice Krispies Squares®*. In addition, the Russian business did well. We also have new foods coming across the region in 2016.

The Cereal business in Europe declined due to challenges in the category in many of the countries. However, we improved our plans for *Special K®* and *Crunchy Nut®* in the UK, saw good performance from *Extra®* in Italy, and
invested behind *Kellogg's®*-branded granola in Germany. Also, we recently launched the *Ancient Legends®* brands in the region. These are great products, which include on-trend ingredients like spelt, apples, sultanas, and chia seeds. We are also applying learnings from our US cereal business including the renovation of *Special K®* Red Berries, the launch of *Special K®* Nourish, and we're also adding more fun in the box.

Currency-neutral comparable operating profit improved 4.3% due to net cost deflation and strong savings, including savings from Project K.

Latin America

Currency-neutral comparable net sales improved 24.6% due to favorable volume and pricing/mix, including the impact of pricing actions in Venezuela. Excluding Venezuela, currency-neutral comparable net sales would have grown 1.3%.

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We experienced volume growth in several of our markets, including Mexico. We also realized strong price realization in Venezuela as a result of pricing actions taken to offset cost inflation. Cereal sales in the region increased and we have held or gained share in most of the region. These share gains have been driven by children's and family brands and the introduction of Kellogg-branded granolas and muesli products.

Sales in the snacks business also increased driven by innovation and go-to-market activity. The *Pringles®* business continued to perform well and we have launched *Pringles®* Tortilla in the region.

Our focus on high-frequency stores continues to drive results. We've seen results in Convenience and mini-Super stores in Mexico, and in smaller stores in Colombia. We have also had success driving sales growth through packaging initiatives designed to drive affordability and accessibility in various areas of the business.

Currency-neutral comparable operating profit improved by 15.4% due to favorable price realization which was partially offset by net cost inflation. Excluding Venezuela, currency neutral comparable operating profit declined 3.4% as sales growth and margin expansion were more than offset by increased investment in brand-building and business capabilities.

Asia Pacific

Currency-neutral comparable net sales increased 4.0% as a result of increased volume which was partially offset by unfavorable pricing/mix. Unfavorable pricing/mix was primarily the result of country mix.

The sales increase was the result of double-digit growth in the Asian markets, double-digit growth in Sub-Saharan Africa, and mid-single-digit growth in the savory snacks business across the region. The growth in Asia included double-digit sales growth in Japan driven by the continued growth of the granola category and the impact of new packaging as well as double-digit growth in Korea and Southeast Asia. The savory snacks business reported broad-based sales growth and share gains due to innovation and gains in distribution.

This sales performance was partially offset by weakness in the Australian cereal category. However, the granola and müesli segments are growing well and we have a plan to address the weakness in the overall Australian business in 2016. We are also applying lessons learned in our US business to our Australia business.

Currency-neutral comparable operating profit declined 3.7% as our investment of Project K savings into emerging markets in the region behind brand investments and capabilities more than offset the favorable sales performance.

Corporate

Currency-neutral comparable operating profit declined due to the resetting of incentive compensation levels which was partially offset by reduced pension costs.

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2014 compared to 2013

The following tables provide an analysis of net sales and operating profit performance for 2014 versus 2013:

Year ended January 3, 2015 (millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	North America Other	Europe	Latin America	Asia Pacific	Corporate	Kellogg Consolidated
Reported Net Sales	**$ 3,108**	**$ 3,329**	**$ 1,198**	**$ 1,864**	**$ 2,869**	**$ 1,205**	**$ 1,007**	**$ —**	**$ 14,580**
Project K and cost reduction activities	**—**	**—**	**—**	**(1)**	**—**	**(1)**	**—**	**—**	**(2)**
Integration and transaction costs	**—**	**—**	**—**	**—**	**—**	**—**	**(1)**	**—**	**(1)**
Acquisitions/divestitures	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Differences in shipping days	**66**	**44**	**16**	**30**	**32**	**1**	**8**	**—**	**197**
Comparable Net Sales	**$ 3,042**	**$ 3,285**	**$ 1,182**	**$ 1,835**	**$ 2,837**	**$ 1,205**	**$ 1,000**	**$ —**	**$ 14,386**
Foreign currency impact	**—**	**—**	**—**	**(43)**	**16**	**(37)**	**(50)**	**—**	**(114)**
Currency-Neutral Comparable Net Sales	**$ 3,042**	**$ 3,285**	**$ 1,182**	**$ 1,878**	**$ 2,821**	**$ 1,242**	**$ 1,050**	**$ —**	**$ 14,500**
Year ended December 28, 2013 (millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	North America Other	Europe	Latin America	Asia Pacific	Corporate	Kellogg Consolidated
Reported Net Sales	$ 3,195	$ 3,379	$ 1,202	$ 1,940	$ 2,843	$ 1,195	$ 1,038	$ —	$ 14,792
Project K and cost reduction activities	—	—	—	—	—	—	—	—	—
Integration and transaction costs	—	—	—	(1)	—	—	(4)	—	(5)
Acquisitions/divestitures	—	—	5	—	—	—	1	—	6
Differences in shipping days	—	—	—	—	—	—	—	—	—
Comparable Net Sales	$ 3,195	$ 3,379	$ 1,197	$ 1,941	$ 2,843	$ 1,195	$ 1,041	$ —	$ 14,791
Foreign currency impact	—	—	—	—	—	—	—	—	—
Currency-Neutral Comparable Net Sales	$ 3,195	$ 3,379	$ 1,197	$ 1,941	$ 2,843	$ 1,195	$ 1,041	$ —	$ 14,791
% change - 2014 vs. 2013:									
As Reported	**(2.7)%**	**(1.5)%**	**(0.3)%**	**(3.9)%**	**0.9 %**	**0.9 %**	**(3.0)%**	**—%**	**(1.4)%**
Project K and cost reduction activities	— %	— %	— %	— %	— %	— %	— %	—%	— %
Integration and transaction costs	— %	— %	— %	— %	— %	— %	0.3 %	—%	0.1 %
Acquisitions/divestitures	— %	— %	(0.4)%	— %	— %	— %	(0.1)%	—%	(0.1)%
Differences in shipping days	2.1 %	1.3 %	1.3 %	1.5 %	1.1 %	0.1 %	0.8 %	—%	1.3 %
Comparable growth	**(4.8)%**	**(2.8)%**	**(1.2)%**	**(5.4)%**	**(0.2)%**	**0.8 %**	**(4.0)%**	**—%**	**(2.7)%**
Foreign currency impact	— %	— %	— %	(2.2)%	0.6 %	(3.1)%	(4.8)%	—%	(0.7)%
Currency-Neutral Comparable growth	**(4.8)%**	**(2.8)%**	**(1.2)%**	**(3.2)%**	**(0.8)%**	**3.9 %**	**0.8 %**	**—%**	**(2.0)%**

For more information on reconciling items in the table above, please refer to the Significant items impacting comparability section.

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Year ended January 3, 2015									
(millions)	**U.S. Morning Foods**	**U.S. Snacks**	**U.S. Specialty**	**North America Other**	**Europe**	**Latin America**	**Asia Pacific**	**Corporate**	**Kellogg Consolidated**
Reported Operating Profit	**$ 479**	**$ 364**	**$ 266**	**$ 295**	**$ 232**	**$ 169**	**$ 53**	**$ (834)**	**$ 1,024**
Mark-to-market	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(784)**	**(784)**
Project K and cost reduction activities	**(60)**	**(57)**	**(3)**	**(18)**	**(80)**	**(8)**	**(37)**	**(35)**	**(298)**
Other costs impacting comparability	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(6)**	**(6)**
Integration and transaction costs	**—**	**—**	**—**	**—**	**(36)**	**—**	**(7)**	**—**	**(43)**
Acquisitions/divestitures	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Differences in shipping days	**19**	**6**	**3**	**8**	**6**	**(3)**	**—**	**(3)**	**36**
Venezuela remeasurement	—	—	—	—	—	—	—	—	—
Comparable Operating Profit	**$ 520**	**$ 415**	**$ 266**	**$ 305**	**$ 342**	**$ 180**	**$ 97**	**$ (6)**	**$ 2,119**
Foreign currency impact	**—**	**—**	**—**	**(9)**	**9**	**(4)**	**(6)**	**2**	**(8)**
Currency-Neutral Comparable Operating Profit	**$ 520**	**$ 415**	**$ 266**	**$ 314**	**$ 333**	**$ 184**	**$ 103**	**$ (8)**	**$ 2,127**

Year ended December 28, 2013									
(millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	North America Other	Europe	Latin America	Asia Pacific	Corporate	Kellogg Consolidated
Reported Operating Profit	$ 469	$ 424	$ 265	$ 314	$ 249	$ 157	$ 67	$ 892	$ 2,837
Mark-to-market	—	—	—	—	—	—	—	947	947
Project K and cost reduction activities	(109)	(30)	(5)	(11)	(27)	(5)	(32)	(31)	(250)
Other costs impacting comparability	—	—	—	—	—	—	—	—	—
Integration and transaction costs	—	(12)	—	(1)	(34)	(1)	(11)	(6)	(65)
Acquisitions/divestitures	—	—	—	—	—	—	(1)	—	(1)
Differences in shipping days	—	—	—	—	—	—	—	—	—
Venezuela remeasurement	—	—	—	—	—	(6)	—	—	(6)
Comparable Operating Profit	$ 578	$ 466	$ 270	$ 326	$ 310	$ 169	$ 111	$ (18)	$ 2,212
Foreign currency impact	—	—	—	—	—	—	—	—	—
Currency-Neutral Comparable Operating Profit	$ 578	$ 466	$ 270	$ 326	$ 310	$ 169	$ 111	$ (18)	$ 2,212
% change - 2014 vs. 2013:									
As Reported	**2.1 %**	**(14.2)%**	**0.4 %**	**(6.0)%**	**(7.0)%**	**7.3 %**	**(19.6)%**	**(193.4)%**	**(63.9)%**
Mark-to-market	— %	— %	— %	— %	— %	— %	— %	(203.1)%	(59.6)%
Project K and cost reduction activities	8.7 %	(6.9)%	0.9 %	(2.3)%	(19.9)%	(1.6)%	(11.2)%	(30.1)%	(2.8)%
Other costs impacting comparability	— %	— %	— %	— %	(0.1)%	— %	(0.2)%	(22.0)%	(0.2)%
Integration and transaction costs	— %	2.4 %	— %	0.4 %	0.9 %	0.6 %	3.2 %	7.4 %	0.9 %
Acquisitions/divestitures	— %	— %	— %	— %	— %	— %	1.1 %	— %	0.1 %
Differences in shipping days	3.3 %	1.2 %	1.0 %	2.4 %	1.9 %	(1.8)%	(0.3)%	(12.5)%	1.6 %
Venezuela remeasurement	— %	— %	— %	— %	— %	3.8 %	— %	— %	0.3 %
Comparable growth	**(9.9)%**	**(10.9)%**	**(1.5)%**	**(6.5)%**	**10.2 %**	**6.3 %**	**(12.2)%**	**66.9 %**	**(4.2)%**
Foreign currency impact	0.1 %	— %	— %	(2.7)%	2.8 %	(2.7)%	(4.9)%	12.9 %	(0.4)%
Currency-Neutral Comparable growth	**(10.0)%**	**(10.9)%**	**(1.5)%**	**(3.8)%**	**7.4 %**	**9.0 %**	**(7.3)%**	**54.0 %**	**(3.8)%**

For more information on reconciling items in the table above, please refer to the Significant items impacting comparability section.

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U.S. Morning Foods

Currency-neutral comparable net sales declined 4.8% as a result of unfavorable volume and pricing/mix. This segment consists of cereal, toaster pastries, health and wellness bars, and beverages.

The cereal category continued to decline through the year despite our continued investments behind category-building programs that started early in the year. Much of our decline in the cereal category has come from *Special K*®. We experienced weakness in *Special K*® as it faced headwinds from evolving consumer trends regarding weight management. As a result, we changed the positioning of the brand from a focus on dieting to weight wellness. This focus will stress the role that *Special K*® plays in a healthy lifestyle. We have begun the execution of this new positioning for the overall cereal business through the following initiatives:

- We have launched the *See You at Breakfast* campaign and the *Open for Breakfast* digital program designed to help us connect directly with consumers
- We are revitalizing the *Special K*® brand and are launching new products such as *Special K*® Gluten-free and *Special K*® Protein

We expect that these actions will have a positive impact on the performance of the *Special K*®, and on the cereal business as a whole. Our plan for investment is long-term and the levels, content, and effectiveness of the support will evolve, and increase over time.

Toaster pastries reported a sales decline for the year as a result of difficult comparisons due to the peanut butter innovations launched in 2013. However we did gain share for the year and introduced a new PB&J innovation in November and we expect this to improve sales results. Health and wellness bars and beverages each reported a sales decline for the year.

Currency-neutral comparable operating profit declined 10.0% due to the unfavorable sales performance and a mid-single-digit increase in cereal brand-building investment. This was partially offset by a decrease in brand-building investment behind health and wellness bars and beverages, and continued cost discipline.

U.S. Snacks

Currency-neutral comparable net sales declined 2.8% as a result of decreased volume partially offset by favorable pricing/mix. This segment consists of crackers, cereal bars, cookies, savory snacks, and fruit-flavored snacks.

Crackers posted a slight sales increase and gained share as a result of the continued success of *Cheez-It*® innovations and core products in the *Town House*®, and *Club*® brands due to brand-building support and sales execution. *Cheez-It*®, *Town House*®, and *Club*® all reported solid consumption and share gains. The gains in these three brands have been offset by weakness in *Special K*® Cracker Chips due to similar consumer trends that we have experienced in the cereal category. We have addressed this weakness by launching completely restaged Cracker Chips with new flavors, better flavor and texture profiles, improved packaging, and new positioning. This new product started to arrive in stores in late 2014.

The bars business declined due to weakness in the *Special K*® and *Fiber Plus*® brands. The issues with these brands are similar to what we have experienced in the cereal category. To address these issues we launched new products and activities in the fourth quarter of this year and will launch more new, great-tasting *Special K*® snack bars with new packaging and new positioning. This activity ties into the initiatives we are launching in other categories and regions around the world. This new product started to arrive in stores in late December. *Rice Krispies Treats*® and *Nutri-grain*® both reported consumption gains and gained share as a result of good core growth and innovation.

The cookies business declined resulting in lost share. However we saw share gains from *Chips Deluxe*® as a result of new co-branded products. We experienced soft performance in our 100-calorie packs business throughout the year. We are migrating consumers to an expanded line of single-serve products, which should help to reduce the impact of the decline. We also experienced the negative impact of a SKU rationalization initiative.

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Savory snacks reported mid-single-digit sales growth and held share for the year behind the performance of the core business, Grab 'n Go, and the new *Pringles*® Tortilla product.

Currency-neutral comparable operating profit declined by 10.9% due to unfavorable sales performance and net cost inflation. This was partially offset by continued cost discipline.

U.S. Specialty

Currency-neutral comparable net sales declined 1.2% as a result of decreased volume and unfavorable pricing/mix. Sales declines were the result of the negative impact of weather early in the year, supply issues with a co-packer, and an inventory de-load as a customer shifted from warehouse to direct delivery.

Currency-neutral comparable operating profit declined by 1.5% due to the unfavorable sales performance. This was partially offset by cost discipline.

North America Other

Currency-neutral comparable net sales declined 3.2% due to decreased volume and unfavorable pricing/mix.

The U.S. Frozen business reported a decline due to unfavorable comparisons early in the year resulting from strong prior-year growth behind innovation activity and costs later in the year associated with the launch of new products. New *Eggo*® Bites and *Eggo*® handheld sandwiches performed well during the year. The combination of the *Eggo*® handheld sandwiches and good results from our *Special K*® handheld sandwiches resulted in a double-digit sales increase for our sandwich business during our final quarter of the year. Consumption of *Eggo*® waffles is improving as we have re-launched the *L'Eggo My Eggo*® brand-building program and launched *Eggo*® gluten-free and a new variety of *Thick-n-Fluffy* waffles.

Canada reported a slight increase in sales driven primarily by the snacks business as volumes increased at a low single-digit rate.

Kashi reported a decline in sales as we continued to experience softness in the cereal category. We have identified areas of focus for *Kashi*® which is a great brand in a category that is on trend. We have begun the execution of this new positioning through the following initiatives:

- All *Kashi Go-Lean*® products will be Non GMO Project Verified
- All *Kashi Heart-to-Heart*® products will meet the USDA's Organic standard

We expect that these initiatives will have a positive impact on the performance of *Kashi*®.

Currency-neutral comparable operating profit declined 3.8% primarily due to unfavorable sales performance. This was partially offset by continued cost discipline.

Europe

Currency-neutral comparable net sales declined 0.8% as a result of flat volume and unfavorable pricing/mix. Cereal category consumption remains soft in most developed markets, similar to the cereal category in the U.S. Emerging markets reported good growth for the year in both cereal and snacks. To address the cereal category softness, we executed brand-building activities in the second half of the year. New *Special K*® advertising has recently gone on air which addresses the recent health and wellness trends that have negatively impacted this brand.

Savory snacks performed well throughout the year, with the final quarter of 2014 reporting the highest sales since we acquired the business. New products are launching, including *Pringles*® Tortilla, and we have more capacity coming on-line mid-year.

Currency-neutral comparable operating profit improved 7.4% due to net cost deflation, including strong productivity savings, and decreased brand-building investment. This was partially offset by unfavorable sales performance.

Latin America

Currency-neutral comparable net sales improved 3.9% due to favorable pricing/mix which was partially offset by decreased volume. Strong price realization, primarily from Venezuela, has more than offset sales declines early in the year resulting from the volume elasticity impact of the introduction of a new food tax in Mexico. We reported growth in Venezuela, Mercosur, and the Pringles business as well as pricing gains in a majority of our markets. The

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cereal business posted good results, although we saw some competitive price promotions in Mexico which affected selected segments. The momentum of the savory snacks business continues, driven by strong commercial programs, innovation, and good execution.

Currency-neutral comparable operating profit improved by 9.0% due to favorable sales performance which was partially offset by net cost inflation, increased brand-building investment to support innovation and new programs, and increased overhead investment.

Asia Pacific

Currency-neutral comparable net sales increased 0.8% as a result of flat volume and favorable pricing/mix. The sales increase was the result of double-digit growth in the Asian markets and high-single-digit growth in the savory snacks business across the region. This sales performance was partially offset by weakness in the Australian cereal category and our performance in South Africa as we conducted construction work early in the year and it took longer than expected to bring the plant back on line.

Currency-neutral comparable operating profit declined 7.3% due to the weakness in the Australian cereal category and our performance in South Africa. This was partially offset by cost discipline.

Corporate

Currency-neutral comparable operating profit improved as a result of reduced pension costs which was partially offset by increased overhead investments.

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Margin performance

2015 versus 2014 margin performance was as follows:

	2015	2014	Change vs. prior year (pts.)
Reported gross margin (a)	**34.6 %**	34.7 %	(0.1)
Mark-to-market (COGS)	**(2.2)%**	(3.0)%	0.8
Project K and cost reduction activities (COGS)	**(1.4)%**	(1.0)%	(0.4)
VIE deconsolidation and other costs impacting comparability (COGS)	**— %**	— %	—
Integration and transaction costs (COGS)	**(0.1)%**	(0.2)%	0.1
Acquisitions/divestitures (COGS)	**(0.1)%**	— %	(0.1)
Shipping day differences (COGS)	**— %**	— %	—
Venezuela remeasurement (COGS)	**(0.8)%**	— %	(0.8)
Comparable gross margin	**39.2 %**	38.9 %	0.3
Foreign currency impact	**0.4 %**	— %	0.4
Currency neutral comparable gross margin	**38.8 %**	38.9 %	(0.1)
Reported SGA%	**(26.5)%**	(27.7)%	1.2
Mark-to-market (SGA)	**(1.1)%**	(2.4)%	1.3
Project K and cost reduction activities (SGA)	**(1.0)%**	(1.0)%	—
VIE deconsolidation and other costs impacting comparability (SGA)	**0.5 %**	— %	0.5
Integration and transactions costs (SGA)	**(0.1)%**	(0.1)%	—
Acquisitions/divestitures (SGA)	**0.1 %**	— %	0.1
Shipping day differences (SGA)	**— %**	— %	—
Venezuela remeasurement (SGA)	**(0.1)%**	— %	(0.1)
Comparable SGA%	**(24.8)%**	(24.2)%	(0.6)
Foreign currency impact	**(0.2)%**	— %	(0.2)
Currency neutral comparable SGA%	**(24.6)%**	(24.2)%	(0.4)
Reported operating margin	**8.1 %**	7.0 %	1.1
Mark-to-market	**(3.3)%**	(5.4)%	2.1
Project K and cost reduction activities	**(2.4)%**	(2.0)%	(0.4)
VIE deconsolidation and other costs impacting comparability	**0.5 %**	— %	0.5
Integration and transactions costs	**(0.2)%**	(0.3)%	0.1
Acquisitions/divestitures	**— %**	— %	—
Shipping day differences	**— %**	— %	—
Venezuela remeasurement	**(0.9)%**	— %	(0.9)
Comparable operating margin	**14.4 %**	14.7 %	(0.3)
Foreign currency impact	**0.2 %**	— %	0.2
Currency neutral comparable operating margin	**14.2 %**	14.7 %	(0.5)

For information on the reconciling items in the table above, please refer to the Significant items impacting comparability section.

(a) Reported gross margin as a percentage of net sales. Gross margin is equal to net sales less cost of goods sold.

Currency-neutral comparable gross margin declined by 10 basis points in 2015 due to the impact of Venezuela. Excluding the impact of Venezuela, currency-neutral comparable gross margin would have increased by 20 basis points as a result of productivity savings, Project K savings, and deflation in commodities and packaging which was partially offset by higher distribution costs and investment in our foods such as the launch of granolas and mueslis across the globe and the renovation of existing foods such as *Special K®*.

Currency-neutral comparable SG&A% was worse by 40 basis points as a result of resetting incentive compensation, reinvestment of Project K savings into sales capabilities including adding sales representatives, and re-establishing the Kashi business unit which was partially offset by improvements resulting from efficiency and effectiveness programs as well as decreased brand building investment.

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Our 2015 and 2014 comparable gross profit, comparable SGA, and comparable operating profit measures are reconciled to the directly comparable U.S. GAAP measures as follows:

(dollars in millions)	2015	2014
Reported gross profit (a)	**$ 4,681**	$ 5,063
Mark-to-market (COGS)	**(296)**	(438)
Project K and cost reduction activities (COGS)	**(195)**	(154)
VIE deconsolidation and other costs impacting comparability (COGS)	**—**	—
Integration and transaction costs (COGS)	**(15)**	(23)
Acquisitions/divestitures (COGS)	**12**	—
Shipping day differences (COGS)	**—**	80
Venezuela remeasurement (COGS)	**(112)**	—
Comparable gross profit	**$ 5,287**	$ 5,598
Foreign currency impact	**(355)**	—
Currency neutral comparable gross profit	**$ 5,642**	$ 5,598
Reported SGA	**$ 3,590**	$ 4,039
Mark-to-market (SGA)	**(150)**	(346)
Project K and cost reduction activities (SGA)	**(128)**	(144)
VIE deconsolidation and other costs impacting comparability (SGA)	**67**	(6)
Integration and transaction costs (SGA)	**(15)**	(20)
Acquisitions/divestitures (SGA)	**(8)**	—
Shipping day differences (SGA)	**—**	(44)
Venezuela remeasurement (SGA)	**(8)**	—
Comparable SGA	**$ 3,348**	$ 3,479
Foreign currency impact	**223**	—
Currency neutral comparable SGA	**$ 3,571**	$ 3,479
Reported operating profit	**$ 1,091**	$ 1,024
Mark-to-market	**(446)**	(784)
Project K and cost reduction activities	**(323)**	(298)
VIE deconsolidation and other costs impacting comparability	**67**	(6)
Integration and transaction costs	**(30)**	(43)
Acquisitions/divestitures	**4**	—
Shipping day differences	**—**	36
Venezuela remeasurement	**(120)**	—
Comparable	**$ 1,939**	$ 2,119
Foreign currency impact	**(132)**	—
Currency neutral comparable operating profit	**$ 2,071**	$ 2,119

For more information on the reconciling items in the table above, please refer to the Significant items impacting comparability section.

(a) Gross profit is equal to net sales less cost of goods sold.

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2014 versus 2013 margin performance was as follows:

	2014	2013	Change vs. prior year (pts.)
Reported gross margin (a)	34.7 %	41.3 %	(6.6)
Mark-to-market (COGS)	(3.0)%	3.4 %	(6.4)
Project K and cost reduction activities (COGS)	(1.0)%	(1.3)%	0.3
VIE deconsolidation and other costs impacting comparability (COGS)	— %	— %	—
Integration and transaction costs (COGS)	(0.2)%	(0.1)%	(0.1)
Acquisitions/divestitures (COGS)	— %	— %	—
Shipping day differences (COGS)	— %	— %	—
Venezuela remeasurement (COGS)	— %	— %	—
Comparable gross margin	38.9 %	39.3 %	(0.4)
Foreign currency impact	— %	— %	—
Currency neutral comparable gross margin	38.9 %	39.3 %	(0.4)
Reported SGA%	(27.7)%	(22.1)%	(5.6)
Mark-to-market (SGA)	(2.4)%	3.0 %	(5.4)
Project K and cost reduction activities (SGA)	(1.0)%	(0.4)%	(0.6)
VIE deconsolidation and other costs impacting comparability (SGA)	— %	— %	—
Integration and transactions costs (SGA)	(0.1)%	(0.3)%	0.2
Acquisitions/divestitures (SGA)	— %	— %	—
Shipping day differences (SGA)	— %	— %	—
Venezuela remeasurement (SGA)	— %	— %	—
Comparable SGA%	(24.2)%	(24.4)%	0.2
Foreign currency impact	— %	— %	—
Currency neutral comparable SGA%	(24.2)%	(24.4)%	0.2
Reported operating margin	7.0 %	19.2 %	(12.2)
Mark-to-market	(5.4)%	6.4 %	(11.8)
Project K and cost reduction activities	(2.0)%	(1.7)%	(0.3)
VIE deconsolidation and other costs impacting comparability	— %	— %	—
Integration and transactions costs	(0.3)%	(0.4)%	0.1
Acquisitions/divestitures	— %	— %	—
Shipping day differences	— %	— %	—
Venezuela remeasurement	— %	— %	—
Comparable operating margin	14.7 %	14.9 %	(0.2)
Foreign currency impact	— %	— %	—
Currency neutral comparable operating margin	14.7 %	14.9 %	(0.2)

For more information on reconciling items in the table above, please refer to the Significant items impacting comparability section.

Currency-neutral comparable gross margin declined by 40 basis points in 2014 due to the impact of inflation, net of productivity savings, and lower production volume resulting from soft sales performance. Currency-neutral comparable SG&A% improved by 20 basis points as a result of continued discipline in overhead control.

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Our 2014 and 2013 comparable gross profit, comparable SGA, and comparable operating profit measures are reconciled to the directly comparable U.S. GAAP measures as follows:

(dollars in millions)		2014		2013
Reported gross profit (a)	$	5,063	$	6,103
Mark-to-market (COGS)		(438)		510
Project K and cost reduction activities (COGS)		(154)		(195)
VIE deconsolidation and other costs impacting comparability (COGS)		—		—
Integration and transaction costs (COGS)		(23)		(20)
Acquisitions/divestitures (COGS)		—		(1)
Shipping day differences (COGS)		80		—
Venezuela remeasurement (COGS)		—		(4)
Comparable gross profit	$	5,598	$	5,813
Foreign currency impact		(36)		—
Currency neutral comparable gross profit	$	5,634	$	5,813
Reported SGA	$	4,039	$	3,266
Mark-to-market (SGA)		(346)		437
Project K and cost reduction activities (SGA)		(144)		(55)
VIE deconsolidation and other costs impacting comparability (SGA)		(6)		—
Integration and transaction costs (SGA)		(20)		(45)
Acquisitions/divestitures (SGA)		—		—
Shipping day differences (SGA)		(44)		—
Venezuela remeasurement (SGA)		—		(2)
Comparable SGA	$	3,479	$	3,601
Foreign currency impact		28		—
Currency neutral comparable SGA	$	3,507	$	3,601
Reported operating profit	$	1,024	$	2,837
Mark-to-market		(784)		947
Project K and cost reduction activities		(298)		(250)
VIE deconsolidation and other costs impacting comparability		(6)		—
Integration and transaction costs		(43)		(65)
Acquisitions/divestitures		—		(1)
Shipping day differences		36		—
Venezuela remeasurement		—		(6)
Comparable	$	2,119	$	2,212
Foreign currency impact		(8)		—
Currency neutral comparable operating profit	$	2,127	$	2,212

For more information on reconciling items in the table above, please refer to the Significant items impacting comparability section.

Restructuring and cost reduction activities

We view our continued spending on restructuring and cost reduction activities as part of our ongoing operating principles to provide greater visibility in achieving our long-term profit growth targets. Initiatives undertaken are currently expected to recover cash implementation costs within a five-year period of completion. Upon completion (or as each major stage is completed in the case of multi-year programs), the project begins to deliver cash savings and/or reduced depreciation.

Project K

Project K, a four-year efficiency and effectiveness program, was announced in November 2013, and is expected to generate a significant amount of savings that may be invested in key strategic areas of focus for the business. We expect that this investment will drive future growth in revenues, gross margin, operating profit, and cash flow.

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The focus of the program will be to strengthen existing businesses in core markets, increase growth in developing and emerging markets, and drive an increased level of value-added innovation. The program is expected to provide a number of benefits, including an optimized supply chain infrastructure, the implementation of global business services, and a new global focus on categories.

We currently anticipate that Project K will result in total pre-tax charges, once all phases are approved and implemented, of $1.2 to $1.4 billion, with after-tax cash costs, including incremental capital investments, estimated to be $900 million to $1.1 billion. Cash expenditures of approximately $625 million have been incurred through the end of fiscal year 2015. Total cash expenditures, as defined, are expected to be approximately $150 million for 2016 and the balance of $125 to $325 million thereafter. Total charges for Project K in 2016 are expected to be approximately $175 to $200 million.

We expect annual cost savings generated from Project K will be approximately $425 to $475 million by 2018, with approximately two-thirds of the cost savings to be realized in cost of goods sold. We have realized approximately $180 million of annual savings through the end of 2015. We expect approximately $100 million of incremental savings in 2016, approximately 75 to 80 percent of which will come from cost of goods sold. Cost savings will be utilized to increase margins and drive sales growth through additional investments in advertising, in-store execution, sales capabilities, including adding sales representatives, re-establishing the Kashi business unit, and in the design and quality of our products. We will also invest in production capacity in developing and emerging markets, and in global category teams.

As a result of Project K, capital spending levels were increased to 4% of net sales during both 2014 and 2015. Our on-going business model assumes capital spending to be approximately 3-4% of net sales annually.

Thus far, we have funded much of the cash requirements for Project K through our supplier financing initiative. Due to the difference in timing between expected cash costs for the project and expected future cash savings, we anticipate funding the project through a combination of cash on hand and short-term debt.

We also expect that the project will have an impact on our consolidated effective income tax rate during the execution of the project due to the timing of charges being taken in different tax jurisdictions. The impact of this project on our consolidated effective income tax rate will be excluded from the comparable income tax rate that will be disclosed on a quarterly basis.

Refer to Note 4 within Notes to Consolidated Financial Statements for further information related to Project K and other restructuring activities.

Other Projects

In 2015 we initiated the implementation of a zero-based budgeting (ZBB) program in our North America business. This ZBB program is expected to deliver visibility to $100 million in annual savings in North America during 2016. We will begin to expand ZBB into our international businesses during 2016 with modest savings expected in certain locations in 2016. We expect increased savings to be realized in our international businesses in 2017 and beyond.

In support of the ZBB initiative, we incurred pre-tax charges of approximately $12 million in 2015. We anticipate that ZBB will result in cumulative pre-tax charges of approximately $25 to $50 million through 2016 which will consist primarily of the design and implementation of business capabilities.

Foreign currency translation

The reporting currency for our financial statements is the U.S. dollar. Certain of our assets, liabilities, expenses and revenues are denominated in currencies other than the U.S. dollar, primarily in the euro, British pound, Mexican peso, Australian dollar, Canadian dollar, Venezuelan bolivar fuerte, and Russian ruble. To prepare our consolidated financial statements, we must translate those assets, liabilities, expenses and revenues into U.S. dollars at the applicable exchange rates. As a result, increases and decreases in the value of the U.S. dollar against these other currencies will affect the amount of these items in our consolidated financial statements, even if their value has not changed in their original currency. This could have significant impact on our results if such increase or decrease in the value of the U.S. dollar is substantial.

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Interest expense

Annual interest expense is illustrated in the following table. The increase in 2015 was primarily due to a higher average level of long-term debt and to higher interest rates, partially resulting from lower levels of debt swapped to a variable rate. The decline in 2014 was primarily due to refinancing of maturing long-term debt at lower interest rates and lower interest rates on long-term debt which has effectively been converted to floating rate obligations through the use of interest rate swaps. Interest income (recorded in other income (expense), net) was (in millions), 2015-$4; 2014-$8; 2013-$7. We currently expect that our 2016 gross interest expense will be approximately $235 to $245 million.

				Change vs. prior year	
(dollars in millions)	**2015**	2014	2013	**2015**	2014
Reported interest expense	**$ 227**	$ 209	$ 235		
Amounts capitalized	**4**	5	2		
Gross interest expense	**$ 231**	$ 214	$ 237	**7.9%**	(9.7)%

Income taxes

Our reported effective tax rates for 2015, 2014 and 2013 were 20.6%, 22.6% and 30.4% respectively. Comparable effective tax rates for 2015, 2014 and 2013 were 25.6%, 28.2%, and 28.4%, respectively.

The 2015 and 2014 effective income tax rates benefited from the mark-to-market loss recorded for our pension plans. Refer to Note 12 within Notes to Consolidated Financial Statements for further information. Fluctuations in foreign currency exchange rates could impact the expected effective income tax rate as it is dependent upon U.S. dollar earnings of foreign subsidiaries doing business in various countries with differing statutory tax rates. Additionally, the rate could be impacted if pending uncertain tax matters, including tax positions that could be affected by planning initiatives, are resolved more or less favorably than we currently expect.

The following table provides a reconciliation of as reported to currency-neutral comparable income taxes and effective income tax rate for 2015 and 2014.

Consolidated results (dollars in millions, except per share data)	**2015**	2014
Reported income taxes	**$ 159**	$ 186
Mark-to-market	**(148)**	(271)
Project K and cost reduction activities	**(94)**	(80)
VIE deconsolidation and other costs impacting comparability	**(2)**	(2)
Integration and transaction costs	**(8)**	(12)
Acquisitions/divestitures	**(1)**	—
Shipping day differences	**—**	11
Venezuela remeasurement	**(20)**	—
Comparable income taxes	**$ 432**	$ 540
Foreign currency impact	**(19)**	—
Currency neutral comparable income taxes	**$ 451**	$ 540
Reported effective income tax rate	**20.6 %**	22.6 %
Mark-to-market	**(4.6)**	(5.8)
Project K and cost reduction activities	**(0.8)**	0.2
VIE deconsolidation and other costs impact comparability	**(0.9)**	—
Integration and transaction costs	**—**	—
Acquisitions/divestitures	**(0.2)**	—
Shipping day differences	**—**	—
Venezuela remeasurement	**1.5**	—
Comparable effective income tax rate	**25.6 %**	28.2 %
Foreign currency impact	**0.7**	—
Currency neutral comparable effective income tax rate	**24.9 %**	28.2 %

For more information on reconciling items in the table above, please refer to the Significant items impacting comparability section.

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The following table provides a reconciliation of as reported to currency-neutral comparable income taxes and effective income tax rate for 2014 and 2013.

Consolidated results (dollars in millions, except per share data)	2014	2013
Reported income taxes	$ 186	$ 792
Mark-to-market	(271)	319
Project K and cost reduction activities	(80)	(67)
VIE deconsolidation and other costs impacting comparability	(2)	—
Integration and transaction costs	(12)	(19)
Acquisitions/divestitures	—	—
Shipping day differences	11	—
Venezuela remeasurement	—	(4)
Comparable income taxes	$ 540	$ 563
Foreign currency impact	(3)	—
Currency neutral comparable income taxes	$ 543	$ 563
Reported effective income tax rate	22.6 %	30.4 %
Mark-to-market	(5.8)	1.9
Project K and cost reduction activities	0.2	0.2
VIE deconsolidation and other costs impact comparability	—	—
Integration and transaction costs	—	(0.1)
Acquisitions/divestitures	—	—
Shipping day differences	—	—
Venezuela remeasurement	—	—
Comparable effective income tax rate	28.2 %	28.4 %
Foreign currency impact	—	—
Currency neutral comparable effective income tax rate	28.2 %	28.4 %

For more information on reconciling items in the table above, please refer to the Significant items impacting comparability section.

LIQUIDITY AND CAPITAL RESOURCES

Our principal source of liquidity is operating cash flows supplemented by borrowings for major acquisitions and other significant transactions. Our cash-generating capability is one of our fundamental strengths and provides us with substantial financial flexibility in meeting operating and investing needs.

We have historically reported negative working capital primarily as the result of our focus to improve core working capital by reducing our levels of trade receivables and inventory while extending the timing of payment of our trade payables. In addition, we have a substantial amount of indebtedness which results in current maturities of long-term debt and notes payable which can have a significant impact on working capital as a result of the timing of these required payments. These factors, coupled with the use of our ongoing cash flows from operations to service our debt obligations, pay dividends, fund acquisition opportunities, and repurchase our common stock, reduce our working capital amounts. We had negative working capital of $2.5 billion and $1.0 billion as of January 2, 2016 and January 3, 2015, respectively.

We believe that our operating cash flows, together with our credit facilities and other available debt financing, will be adequate to meet our operating, investing and financing needs in the foreseeable future. However, there can be no assurance that volatility and/or disruption in the global capital and credit markets will not impair our ability to access these markets on terms acceptable to us, or at all.

As of January 2, 2016 and January 3, 2015, we had $231 million and $257 million, respectively, of cash and cash equivalents held in international jurisdictions which will be used to fund capital and other cash requirements of international operations. These amounts include $2 million and $68 million at January 2, 2016 and January 3, 2015, respectively, subject to currency exchange controls in Venezuela, limiting the total amount of cash and cash equivalents held by our foreign subsidiaries that can be repatriated at any particular point in time.

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The following table sets forth a summary of our cash flows:

(dollars in millions)	2015	2014	2013
Net cash provided by (used in):			
Operating activities	**$ 1,691**	$ 1,793	$ 1,807
Investing activities	**(1,127)**	(573)	(641)
Financing activities	**(706)**	(1,063)	(1,141)
Effect of exchange rates on cash and cash equivalents	**(50)**	13	(33)
Net increase (decrease) in cash and cash equivalents	**$ (192)**	$ 170	$ (8)

Operating activities

The principal source of our operating cash flows is net earnings, meaning cash receipts from the sale of our products, net of costs to manufacture and market our products.

Our net cash provided by operating activities for 2015 amounted to $1,691 million, a decrease of $102 million compared with 2014. The decrease compared to the prior year is the result of the negative year over year impact of accounts receivable mitigated somewhat by the incremental cash flow benefit from the supplier financing initiative of approximately $210 million. Our net cash provided by operating activities for 2014 amounted to $1,793 million, a decrease of $14 million compared with 2013, due primarily to the negative incremental impact of Project K cash requirements mitigated somewhat by the positive impact from the supplier financing initiative of approximately $210 million.

After-tax cash payments related to Project K were $192 million in 2015, $187 million in 2014, and $18 million in 2013.

Our cash conversion cycle (defined as days of inventory, excluding inventoriable mark-to-market pension costs, and trade receivables outstanding less days of trade payables outstanding, based on a trailing 12 month average) is relatively short, equating to approximately 14 days and 27 days for 2015 and 2014, respectively. Core working capital in 2015 averaged 6.2% of net sales, compared to 7.6% in 2014 and 7.8% in 2013. In 2015, both our cash conversion cycle and core working capital showed improvements in days of trade payables outstanding which includes the positive impact of a supplier financing initiative. Days of trade receivables and inventory on hand increased slightly from 2014 to 2015.

Our total pension and postretirement benefit plan funding amounted to $33 million, $53 million and $48 million, in 2015, 2014 and 2013, respectively.

The Pension Protection Act (PPA), and subsequent regulations, determines defined benefit plan minimum funding requirements in the United States. We believe that we will not be required to make any contributions under PPA requirements until 2021 or beyond. Our projections concerning timing of PPA funding requirements are subject to change primarily based on general market conditions affecting trust asset performance, future discount rates based on average yields of high quality corporate bonds and our decisions regarding certain elective provisions of the PPA.

We currently project that we will make total U.S. and foreign benefit plan contributions in 2016 of approximately $43 million. Actual 2016 contributions could be different from our current projections, as influenced by our decision to undertake discretionary funding of our benefit trusts versus other competing investment priorities, future changes in government requirements, trust asset performance, renewals of union contracts, or higher-than-expected health care claims cost experience.

We measure cash flow as net cash provided by operating activities reduced by expenditures for property additions. We use this non-GAAP financial measure of cash flow to focus management and investors on the amount of cash available for debt repayment, dividend distributions, acquisition opportunities, and share repurchases. Our cash flow metric is reconciled to the most comparable GAAP measure, as follows:

(dollars in millions)	2015	2014	2013
Net cash provided by operating activities	**$ 1,691**	$ 1,793	$ 1,807
Additions to properties	**(553)**	(582)	(637)
Cash flow	**$ 1,138**	$ 1,211	$ 1,170
year-over-year change	***(6.0)%***	*3.5%*	

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The decrease in cash flow (as defined) in 2015 compared to 2014 was due primarily to the unfavorable year over year impact of accounts receivable mitigated somewhat by the favorable year over year impact of trade payables as a result of the supplier financing initiative. The increase in cash flow in 2014 compared to 2013 was due primarily to lower capital expenditures and improved core working capital partially offset by the negative impact of Project K cash requirements.

Investing activities

Our net cash used in investing activities for 2015 amounted to $1,127 million, an increase of $554 million compared with 2014. In 2015, we acquired, for $445 million, a 50% interest in Multipro Singapore Pte. Ltd., a leading distributor of a variety of food products in Nigeria and Ghana, and an option to purchase a minority interest in an affiliated food manufacturer. In addition to our joint venture investment in 2015, we also acquired Mass Foods and a majority interest in Bisco Misr.

Capital spending in 2015 included investments in our supply chain infrastructure, and to support capacity requirements in certain markets and products, including Pringles in Asia-Pacific.

Net cash used in investing activities of $573 million in 2014 decreased $68 million compared with 2013.

Cash paid for additions to properties as a percentage of net sales increased to 4.1% in 2015, from 4.0% in 2014, which was a decrease from 4.3% in 2013.

Financing activities

Our net cash used by financing activities was $706 million, $1,063 million and $1,141 million for 2015, 2014 and 2013, respectively. The use of cash in financing activities compared to the prior year declined due primarily to net proceeds from notes payable of $374 million in 2015 versus $89 million in 2014.

Total debt was $7.8 billion and $7.4 billion at year-end 2015 and 2014, respectively.

In May 2015, we repaid our $350 million 1.125% U.S. Dollar Notes due 2015 at maturity.

In February 2015, we repaid our floating-rate $250 million U.S. Dollar Notes due 2015 at maturity and in March 2015, we issued €600 million of ten-year 1.25% Euro Notes due 2025.

In March 2014, we redeemed $150 million of our 4.00% U.S. Dollar Notes due 2020, $342 million of our 3.125% U.S. Dollar Notes due 2022 and $189 million of our 2.75% U.S. Dollar Notes due 2023. In connection with the debt redemption, we incurred $1 million of interest expense, offset by $8 million of accelerated gains on interest rate hedges previously recorded in accumulated other comprehensive income, and incurred $5 million expense, recorded in Other Income, Expense (net), related to acceleration of fees on the redeemed debt and fees related to the tender offer.

In May 2014, we issued €500 million of seven-year 1.75% Euro Notes due 2021, using the proceeds for general corporate purposes, which included repayment of a portion of our commercial paper borrowings.

In May 2014, we issued Cdn. $300 million of three-year 2.05% Canadian Dollar Notes due 2017, using the proceeds, together with cash on hand, to repay our Cdn. $300 million, 2.10% Notes due May 2014 at maturity.

In February 2013, we issued $250 million of two-year floating-rate U.S. Dollar Notes, and $400 million of ten-year 2.75% U.S. Dollar Notes, resulting in aggregate net proceeds after debt discount of $645 million. The proceeds from these Notes were used for general corporate purposes, including, together with cash on hand, repayment of the $750 million aggregate principal amount of our 4.25% U.S. Dollar Notes due March 2013.

In April 2013, the board of directors approved a $1 billion share repurchase program expiring in April 2014. In February 2014, the board of directors approved a new authorization to repurchase up to $1.5 billion in shares through December 2015. In December 2015, the board of directors approved a share repurchase program authorizing us to repurchase shares of our common stock amounting to $1.5 billion beginning in 2016 through December 2017.

During 2015, we purchased 11 million shares totaling $731 million. During 2014, we purchased 11 million shares totaling $690 million. In May 2013, we entered into an Accelerated Share Repurchase (ASR) Agreement with a financial institution counterparty and paid $355 million for the purchase of shares during the term of the agreement which extended through August 2013. The total number of shares delivered upon settlement of the ASR was based upon the volume weighted average price of the Company's stock over the term of the agreement. Total shares

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purchased in 2013, including shares delivered under the ASR, amounted to approximately 9 million shares totaling $544 million.

We paid quarterly dividends to shareholders totaling $1.98 per share in 2015, $1.90 per share in 2014 and $1.80 per share in 2013. Total cash paid for dividends increased by 3.0% in 2015 and 4.0% in 2014. In February 2016, the board of directors declared a dividend of $.50 per common share, payable on March 15, 2016 to shareholders of record at the close of business on March 1, 2016.

In February 2014, we entered into an unsecured Five-Year Credit Agreement to replace the existing unsecured Four-Year Credit Agreement, which would have expired in March 2015. The Five-Year Credit Agreement allows us to borrow, on a revolving credit basis, up to $2.0 billion.

Our long-term debt agreements contain customary covenants that limit Kellogg Company and some of its subsidiaries from incurring certain liens or from entering into certain sale and lease-back transactions. Some agreements also contain change in control provisions. However, they do not contain acceleration of maturity clauses that are dependent on credit ratings. A change in our credit ratings could limit our access to the U.S. short-term debt market and/or increase the cost of refinancing long-term debt in the future. However, even under these circumstances, we would continue to have access to our Five-Year Credit Agreement, which expires in February 2019. This source of liquidity is unused and available on an unsecured basis, although we do not currently plan to use it.

We monitor the financial strength of our third-party financial institutions, including those that hold our cash and cash equivalents as well as those who serve as counterparties to our credit facilities, our derivative financial instruments, and other arrangements.

We are in compliance with all covenants as of January 2, 2016. We continue to believe that we will be able to meet our interest and principal repayment obligations and maintain our debt covenants for the foreseeable future, while still meeting our operational needs, including the pursuit of selected bolt-on acquisitions. This will be accomplished through our strong cash flow, our short-term borrowings, and our maintenance of credit facilities on a global basis. We anticipate establishing a discrete customer program which would allow for extended customer payment terms. In connection with this program, we may enter into an agreement with one or more financial institutions to monetize these receivables resulting in the receivables being de-recognized from our consolidated balance sheet. We currently estimate that the amount of these receivables held at any time by the financial institution(s) will be approximately $500 to $600 million.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

Off-balance sheet arrangements

As of January 2, 2016 and January 3, 2015 we did not have any material off-balance sheet arrangements.

Contractual obligations

The following table summarizes our contractual obligations at January 2, 2016:

Contractual obligations	Payments due by period						
(millions)	Total	2016	2017	2018	2019	2020	2021 and beyond
Long-term debt:							
Principal	$ 6,517	$ 1,262	627	$ 407	$ 506	$ 851	$ 2,864
Interest (a)	1,837	217	188	178	161	151	942
Capital leases (b)	5	2	1	1	—	—	1
Operating leases (c)	672	171	152	119	81	62	87
Purchase obligations (d)	1,135	951	113	46	13	11	1
Uncertain tax positions (e)	13	13	—	—	—	—	—
Other long-term obligations (f)	732	101	53	51	53	124	350
Total	$ 10,911	$ 2,717	$ 1,134	$ 802	$ 814	$ 1,199	$ 4,245

(a) Includes interest payments on our long-term debt and payments on our interest rate swaps. Interest calculated on our variable rate debt was forecasted using the LIBOR forward rate curve as of January 2, 2016.
(b) The total expected cash payments on our capital leases include interest expense totaling less than $1 million over the periods presented above.
(c) Operating leases represent the minimum rental commitments under non-cancelable operating leases.

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(d) Purchase obligations consist primarily of fixed commitments for raw materials to be utilized in the normal course of business and for marketing, advertising and other services. The amounts presented in the table do not include items already recorded in accounts payable or other current liabilities at year-end 2015, nor does the table reflect cash flows we are likely to incur based on our plans, but are not obligated to incur. Therefore, it should be noted that the exclusion of these items from the table could be a limitation in assessing our total future cash flows under contracts.

(e) As of January 2, 2016, our total liability for uncertain tax positions was $73 million, of which $13 million is expected to be paid in the next twelve months. We are not able to reasonably estimate the timing of future cash flows related to the remaining $60 million.

(f) Other long-term obligations are those associated with noncurrent liabilities recorded within the Consolidated Balance Sheet at year-end 2015 and consist principally of projected commitments under deferred compensation arrangements, multiemployer plans, and supplemental employee retirement benefits. The table also includes our current estimate of minimum contributions to defined benefit pension and postretirement benefit plans through 2021 as follows: 2016-$43; 2017-$34; 2018-$34; 2019-$34; 2020-$103; 2021-$190.

CRITICAL ACCOUNTING ESTIMATES

Promotional expenditures

Our promotional activities are conducted either through the retail trade or directly with consumers and include activities such as in-store displays and events, feature price discounts, consumer coupons, contests and loyalty programs. The costs of these activities are generally recognized at the time the related revenue is recorded, which normally precedes the actual cash expenditure. The recognition of these costs therefore requires management judgment regarding the volume of promotional offers that will be redeemed by either the retail trade or consumer. These estimates are made using various techniques including historical data on performance of similar promotional programs. Differences between estimated expense and actual redemptions are normally insignificant and recognized as a change in management estimate in a subsequent period. On a full-year basis, these subsequent period adjustments represent approximately 0.4% of our company's net sales. However, our company's total promotional expenditures (including amounts classified as a revenue reduction) are significant, so it is likely our results would be materially different if different assumptions or conditions were to prevail.

Property

Long-lived assets such as property, plant and equipment are tested for impairment when conditions indicate that the carrying value may not be recoverable. Management evaluates several conditions, including, but not limited to, the following: a significant decrease in the market price of an asset or an asset group; a significant adverse change in the extent or manner in which a long-lived asset is being used, including an extended period of idleness; and a current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. For assets to be held and used, we project the expected future undiscounted cash flows generated by the long-lived asset or asset group over the remaining useful life of the primary asset. If the cash flow analysis yields an amount less than the carrying amount we determine the fair value of the asset or asset group by using comparable market data. There are inherent uncertainties associated with the judgments and estimates we use in these analyses.

At January 2, 2016, we have property, plant and equipment of $3.6 billion, net of accumulated depreciation, on our balance sheet. Included in this amount are approximately $51 million of idle assets.

Goodwill and other intangible assets

We perform an impairment evaluation of goodwill and intangible assets with indefinite useful lives at least annually during the fourth quarter of each year in conjunction with our annual budgeting process.

Goodwill impairment testing first requires a comparison between the carrying value and fair value of a reporting unit with associated goodwill. Carrying value is based on the assets and liabilities associated with the operations of that reporting unit, which often requires allocation of shared or corporate items among reporting units. For the 2015 goodwill impairment test, the fair value of the reporting units was estimated based on market multiples. Our approach employs market multiples based on earnings before interest, taxes, depreciation and amortization (EBITDA) and earnings for companies comparable to our reporting units. In the event the fair value determined using the market multiples approach is close to the carrying value, we may also supplement our fair value determination using discounted cash flows. Management believes the assumptions used for the impairment test are consistent with those utilized by a market participant performing similar valuations for our reporting units.

Similarly, impairment testing of indefinite-lived intangible assets requires a comparison of carrying value to fair value of that particular asset. Fair values of non-goodwill intangible assets are based primarily on projections of future cash flows to be generated from that asset. For instance, cash flows related to a particular trademark would be based on a projected royalty stream attributable to branded product sales discounted at rates consistent with rates used by market participants. These estimates are made using various inputs including historical data, current and anticipated market conditions, management plans, and market comparables.

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We also evaluate the useful life over which a non-goodwill intangible asset with a finite life is expected to contribute directly or indirectly to our cash flows. Reaching a determination on useful life requires significant judgments and assumptions regarding the future effects of obsolescence, demand, competition, other economic factors (such as the stability of the industry, known technological advances, legislative action that results in an uncertain or changing regulatory environment, and expected changes in distribution channels), the level of required maintenance expenditures, and the expected lives of other related groups of assets.

At January 2, 2016, goodwill and other intangible assets amounted to $7.2 billion, consisting primarily of goodwill and brands associated with the 2001 acquisition of Keebler Foods Company and the 2012 acquisition of Pringles. Within this total, approximately $2.2 billion of non-goodwill intangible assets were classified as indefinite-lived, comprised principally of Keebler and Pringles trademarks. We currently believe that the fair value of our goodwill and other intangible assets exceeds their carrying value and that those intangibles so classified will contribute indefinitely to our cash flows. The percentage of excess fair value over carrying value of the U.S. Snacks reporting unit was approximately 43% and 59% in 2015 and 2014, respectively. However, if we had used materially different assumptions, which we do not believe are reasonably possible, regarding the future performance of our business or a different market multiple in the valuation, this could have resulted in significant impairment losses. Additionally, we have $25 million of goodwill related to our 2008 acquisition of United Bakers in Russia. Fair value of the intangibles for this business exceeded carrying value in 2015. If we used modestly different assumptions regarding sales multiples and EBITDA in the valuation, this could have resulted in an impairment loss. Management will continue to monitor the situation closely.

Retirement benefits

Our company sponsors a number of U.S. and foreign defined benefit employee pension plans and also provides retiree health care and other welfare benefits in the United States and Canada. Plan funding strategies are influenced by tax regulations and asset return performance. A substantial majority of plan assets are invested in a globally diversified portfolio of equity securities with smaller holdings of debt securities and other investments. We recognize the cost of benefits provided during retirement over the employees’ active working life to determine the obligations and expense related to our retiree benefit plans. Inherent in this concept is the requirement to
use various actuarial assumptions to predict and measure costs and obligations many years prior to the settlement date. Major actuarial assumptions that require significant management judgment and have a material impact on the measurement of our consolidated benefits expense and accumulated obligation include the long-term rates of return on plan assets, the health care cost trend rates, the mortality table and improvement scale, and the interest rates used to discount the obligations for our major plans, which cover employees in the United States, United Kingdom and Canada.

Our expense recognition policy for pension and nonpension postretirement benefits is to immediately recognize actuarial gains and losses in our operating results in the year in which they occur. Actuarial gains and losses are recognized annually as of our measurement date, which is our fiscal year-end, or when remeasurement is otherwise required under generally accepted accounting principles.

Additionally, for purposes of calculating the expected return on plan assets related to pension and nonpension postretirement benefits we use the fair value of plan assets.

To conduct our annual review of the long-term rate of return on plan assets, we model expected returns over a 20-year investment horizon with respect to the specific investment mix of each of our major plans. The return assumptions used reflect a combination of rigorous historical performance analysis and forward-looking views of the financial markets including consideration of current yields on long-term bonds, price-earnings ratios of the major stock market indices, and long-term inflation. Our U.S. plan model, corresponding to approximately 68% of our trust assets globally, currently incorporates a long-term inflation assumption of 2.5% and an active management premium of 1% (net of fees) validated by historical analysis and future return expectations. Although we review our expected long-term rates of return annually, our benefit trust investment performance for one particular year does not, by itself, significantly influence our evaluation. Our expected rates of return have generally not been revised, provided these rates continue to fall within a “more likely than not” corridor of between the 25th and 75th percentile of expected long-term returns, as determined by our modeling process. Our assumed rate of return for U.S. plans in 2016 of 8.5% equates to approximately the 57th percentile expectation of our model. Similar methods are used for various foreign plans with invested assets, reflecting local economic conditions. Foreign trust investments represent approximately 32% of our global benefit plan assets.

Based on consolidated benefit plan assets at January 2, 2016, a 100 basis point increase or decrease in the assumed rate of return would correspondingly increase or decrease 2016 benefits expense by approximately

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$55 million. For each of the three fiscal years, our actual return on plan assets exceeded (was less than) the recognized assumed return by the following amounts (in millions): 2015-$(666); 2014-$(41); 2013–$545.

To conduct our annual review of health care cost trend rates, we model our actual claims cost data over a five-year historical period, including an analysis of pre-65 versus post-65 age groups and other important demographic components in our covered retiree population. This data is adjusted to eliminate the impact of plan changes and other factors that would tend to distort the underlying cost inflation trends. Our initial health care cost trend rate is reviewed annually and adjusted as necessary to remain consistent with recent historical experience and our expectations regarding short-term future trends. In comparison to our actual five-year compound annual claims cost growth rate of approximately 4.95%, our initial trend rate for 2016 of 5.00% reflects the expected future impact of faster-growing claims experience for certain demographic groups within our total employee population. Our initial rate is trended downward by 0.25% per year, until the ultimate trend rate of 4.5% is reached. The ultimate trend rate is adjusted annually, as necessary, to approximate the current economic view on the rate of long-term inflation plus an appropriate health care cost premium. Based on consolidated obligations at January 2, 2016, a 100 basis point increase in the assumed health care cost trend rates would increase 2016 benefits expense by approximately $4 million and generate an immediate loss recognition of $89 million. A 100 basis point excess of 2016 actual health care claims cost over that calculated from the assumed trend rate would result in an experience loss of approximately $4 million and would increase 2016 expense by $0.2 million. Any arising health care claims cost-related experience gain or loss is recognized in the year in which they occur. The experience loss arising from recognition of 2015 claims experience was approximately $3 million.

Assumed mortality rates of plan participants are a critical estimate in measuring the expected payments a participant will receive over their lifetime and the amount of expense we recognize. At the end of 2014, we revised our mortality assumption after considering the Society of Actuaries' (SOA) updated mortality tables and improvement scale, as well as other mortality information available from the Social Security Administration to develop assumptions aligned with our expectation of future improvement rates. In determining the appropriate mortality assumptions as of January 2, 2016, we considered the SOA's 2015 updated improvement scale and believe our assumption remains appropriate.

To conduct our annual review of discount rates, we selected the discount rate based on a cash-flow matching analysis using Willis Towers Watson’s proprietary RATE:Link tool and projections of the future benefit payments constituting the projected benefit obligation for the plans. RATE:Link establishes the uniform discount rate that produces the same present value of the estimated future benefit payments, as is generated by discounting each year’s benefit payments by a spot rate applicable to that year. The spot rates used in this process are derived from a yield curve created from yields on the 40th to 90th percentile of U.S. high quality bonds. A similar methodology is applied in Canada and Europe, except the smaller bond markets imply that yields between the 10th and 90th percentiles are preferable. We use a December 31 measurement date for our defined benefit plans. Accordingly, we select discount rates to measure our benefit obligations that are consistent with market indices during December of each year.

Based on consolidated obligations at January 2, 2016, a 25 basis point decline in the weighted-average discount rate used for benefit plan measurement purposes would decrease 2016 benefits expense by approximately $2 million and would result in an immediate loss recognition of $222 million. All obligation-related actuarial gains and losses are recognized immediately in the year in which they occur.

Despite the previously-described rigorous policies for selecting major actuarial assumptions, we periodically experience material differences between assumed and actual experience. During 2015, we recognized a net actuarial loss of approximately $418 million compared to a net actuarial loss of approximately $918 million in 2014. Of the total net loss recognized in 2015, approximately $(245) million was related primarily to favorable changes in the discount rate and other assumptions and $666 million was related to asset losses and $(3) million was related to a discrete benefit resulting from certain events affecting our benefit programs. Of the $918 million net loss recognized in 2014, approximately $911 million was related to unfavorable changes in the discount rate and mortality assumptions, and $41 million was related to asset losses, and $(34) million was related to a discrete benefit resulting from certain events affecting our benefit programs.

During 2015, we made contributions in the amount of $19 million to Kellogg’s global tax-qualified pension programs. This amount was mostly non-discretionary. Additionally we contributed $14 million to our retiree medical programs.

Income taxes

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Our consolidated effective income tax rate is influenced by tax planning opportunities available to us in the various jurisdictions in which we operate. The calculation of our income tax provision and deferred income tax assets and liabilities is complex and requires the use of estimates and judgment. Income taxes are provided on the portion of foreign earnings that is expected to be remitted to and taxable in the United States.

We recognize tax benefits associated with uncertain tax positions when, in our judgment, it is more likely than not that the positions will be sustained upon examination by a taxing authority. For tax positions that meet the more likely than not recognition threshold, we initially and subsequently measure the tax benefits as the largest amount that we judge to have a greater than 50% likelihood of being realized upon ultimate settlement. Our liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances, such as the progress of tax audits, new or emerging legislation and tax planning. The tax position will be derecognized when it is no longer more likely than not of being sustained. Significant adjustments to our liability for unrecognized tax benefits impacting our effective tax rate are separately presented in the rate reconciliation table of Note 12 within Notes to Consolidated Financial Statements.

ACCOUNTING STANDARDS TO BE ADOPTED IN FUTURE PERIODS

Recognition and measurement of financial assets and liabilities. In January 2016, the FASB issued an ASU which primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption can be elected for all financial statements of fiscal years and interim periods that have not yet been issued or that have not yet been made available for issuance. Entities should apply the update by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. We will adopt the updated standard in the first quarter of 2018. We do not expect the adoption of this guidance to have a significant impact on our financial statements.

Balance sheet classification of deferred taxes. In November 2015, the FASB issued an ASU to simplify the presentation of deferred income taxes. The ASU requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Entities should apply the new guidance either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. Early adoption is permitted. We are currently evaluating when we will adopt the updated standard and whether to use the prospective or retrospective method. Our year-end 2015 balance for current deferred tax assets and liabilities was $227 and $9 million, respectively. Please see Note 12 for more information on our deferred tax assets and liabilities.

Simplifying the accounting for measurement-period adjustments. In September 2015, the FASB issued an ASU to simplify the accounting for measurement-period adjustments for items in a business combination. The ASU requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Entities should apply the new guidance prospectively to adjustments to provisional amounts that occur after the effective date of the ASU with earlier application permitted for financial statements that have not been issued. We will adopt the updated standard in the first quarter of 2016. We do not expect the adoption of this guidance to have a significant impact on our financial statements.

Simplifying the presentation of debt issuance costs. In April 2015, the FASB issued an ASU to simplify the presentation of debt issuance costs. The ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted. Entities should apply the new guidance on a retrospective basis. We will adopt the updated standard in the first quarter of 2016. We do not expect the adoption of this guidance to have a significant impact on our financial statements.

Customer's accounting for fees paid in a cloud computing arrangement. In April 2015, the FASB issued an ASU to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted. Entities should apply the new guidance either; 1) prospectively to all arrangements entered into or

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materially modified after the effective date or 2) retrospectively. We will adopt the updated standard prospectively in the first quarter of 2016. We do not expect the adoption of this guidance to have a significant impact on our financial statements.

Revenue from contracts with customers. In May 2014, the FASB issued an ASU which provides guidance for accounting for revenue from contracts with customers. The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. To achieve that core principle, an entity would be required to apply the following five steps: 1) identify the contract(s) with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations in the contract and 5) recognize revenue when (or as) the entity satisfies a performance obligation. When the ASU was originally issued it was effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption was not permitted. On July 9, 2015, the FASB decided to delay the effective date of the new revenue standard by one year. The updated standard will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Entities will be permitted to adopt the new revenue standard early, but not before the original effective date. Entities will have the option to apply the final standard retrospectively or use a modified retrospective method, recognizing the cumulative effect of the ASU in retained earnings at the date of initial application. An entity will not restate prior periods if it uses the modified retrospective method, but will be required to disclose the amount by which each financial statement line item is affected in the current reporting period by the application of the ASU as compared to the guidance in effect prior to the change, as well as reasons for significant changes. We will adopt the updated standard in the first quarter of 2018. We are currently evaluating the impact that implementing this ASU will have on our financial statements and disclosures, as well as whether we will use the retrospective or modified retrospective method of adoption.

FUTURE OUTLOOK

We expect during 2016 that Project K and zero-based budgeting savings will enable us to continue to invest in our businesses, our foods, and the categories in which we compete. We expect currency-neutral comparable net sales growth to be in the range of 1 to 3 percent. While our original 2016 guidance always included pricing to cover the impact of inflation in Venezuela, our latest outlook includes more pricing to offset inflation. While it is difficult to predict pricing actions that will be required in Venezuela, it is possible that currency-neutral comparable net sales growth could exceed our guidance range due to Venezuela.

We also expect currency-neutral comparable gross margin to be up slightly due to deflation resulting from material costs, savings from Project K and zero-based budgeting. This expectation for currency-neutral comparable gross margin excludes the impact of highly inflationary economies. Finally, we expect currency-neutral comparable operating profit growth in the range of 4 to 6 percent and currency-neutral comparable EPS to increase in the range of 6 to 8 percent.

We expect that full-year operating cash flow will be approximately $1.1 billion, including capital spending in the range of 4 to 5 percent of net sales. This capital spending expectation reflects much lower capital spending for Project K, but increased capital spending to support growth in our Pringles business.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our company is exposed to certain market risks, which exist as a part of our ongoing business operations. We use derivative financial and commodity instruments, where appropriate, to manage these risks. As a matter of policy, we do not engage in trading or speculative transactions. Refer to Note 13 within Notes to Consolidated Financial Statements for further information on our derivative financial and commodity instruments.

Foreign exchange risk

Our company is exposed to fluctuations in foreign currency cash flows related primarily to third-party purchases, intercompany transactions, and when applicable, nonfunctional currency denominated third-party debt. Our company is also exposed to fluctuations in the value of foreign currency investments in subsidiaries and cash flows related to repatriation of these investments. Additionally, our company is exposed to volatility in the translation of foreign currency denominated earnings to U.S. dollars. Primary exposures include the U.S. dollar versus the euro, British pound, Mexican peso, Australian dollar, Canadian dollar, Venezuelan bolivar fuerte, and Russian ruble, and

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in the case of inter-subsidiary transactions, the British pound versus the euro. We assess foreign currency risk based on transactional cash flows and translational volatility and may enter into forward contracts, options, and currency swaps to reduce fluctuations in long or short currency positions. Forward contracts and options are generally less than 18 months duration. Currency swap agreements may be established in conjunction with the term of underlying debt issuances.

The total notional amount of foreign currency derivative instruments at year-end 2015 was $1.2 billion, representing a settlement receivable of $13 million. The total notional amount of foreign currency derivative instruments at year-end 2014 was $764 million, representing a settlement receivable of $23 million. All of these derivatives were hedges of anticipated transactions, translational exposure, or existing assets or liabilities, and mature within 18 months. Assuming an unfavorable 10% change in year-end exchange rates, the settlement receivable would have become a settlement obligation of $77 million at year-end 2015 and the settlement receivable at year-end 2014 would have become a settlement obligation of $53 million. These unfavorable changes would generally have been offset by favorable changes in the values of the underlying exposures.

Venezuela is considered a highly inflationary economy. As such, the functional currency for our operations in Venezuela is the U.S. dollar, which in turn, requires bolivar denominated monetary assets and liabilities to be remeasured into U.S. dollars using an exchange rate at which such balances could be settled as of the balance sheet date. In addition, revenues and expenses are recorded in U.S. dollars at an appropriate rate on the date of the transaction. Gains and losses resulting from the remeasurement of the bolivar denominated monetary assets and liabilities are recorded in earnings.

During 2015 we have experienced an increase in the amount of time it takes to exchange bolivars for U.S. dollars through the CENCOEX exchange. Given this economic backdrop, and upon review of current U.S. dollar cash needs in our Venezuela operations as of the quarter ended July 4, 2015, we concluded that we are no longer able to obtain sufficient U.S. dollars on a timely basis through the CENCOEX exchange to support our Venezuela operations, resulting in a decision to remeasure our Venezuela subsidiary's financial statements using the SIMADI rate. Please refer to Note 15 for more information regarding our operations in Venezuela and our change in foreign exchange rates.

As of July 4, 2015, certain non-monetary assets related to our Venezuelan subsidiary continued to be remeasured at historical exchange rates. As these assets were utilized by our Venezuelan subsidiary during the second half of 2015 they were recognized in the income statement at historical exchange rates resulting in an unfavorable impact. During 2015, we recognized expense related to the utilization of a portion of these non-monetary assets, resulting in an unfavorable impact of approximately $17 million. We expect an additional unfavorable impact of approximately $4 million in 2016 related to the utilization of these remaining non-monetary assets. Including these impacts, the total impact of moving from the CENCOEX official rate to the SIMADI rate is anticipated to be $173 million, on a pre-tax basis, with $169 million recognized in 2015, or approximately $.42 on a fully-diluted EPS basis, plus an additional $4 million expected to be recognized in 2016.

In February 2016, the Venezuelan government announced a 59% devaluation of the CENCOEX official rate from 6.3 bolivars to 10.0 bolivars to the U.S. dollar. Additionally the SICAD exchange rate was eliminated. These changes are not expected to have a material impact on our results as we are currently using the SIMADI rate to remeasure our Venezuelan subsidiary’s financial statements.

Interest rate risk

Our company is exposed to interest rate volatility with regard to future issuances of fixed rate debt and existing and future issuances of variable rate debt. Primary exposures include movements in U.S. Treasury rates, London Interbank Offered Rates (LIBOR), and commercial paper rates. We periodically use interest rate swaps and forward interest rate contracts to reduce interest rate volatility and funding costs associated with certain debt issues, and to achieve a desired proportion of variable versus fixed rate debt, based on current and projected market conditions.

During 2014, we entered into forward starting interest swaps with notional amounts totaling €500 million, as a hedge against interest rate volatility associated with a forecasted issuance of fixed rate debt to be used for general corporate purposes. These swaps were designated as cash flow hedges. During 2015 these forward starting interest swaps were settled and additional forward starting interest rate swaps with a notional amount totaling €600 million were entered into and were designated as cash flow hedges. These forward starting interest rate swaps were settled in March 2015, upon the issuance of fixed rate debt. A resulting aggregate loss of $12 million was recorded in accumulated other comprehensive income (loss) and will be amortized as interest expense over the life

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of the related fixed rate debt. Refer to Note 7 within Notes to Consolidated Financial Statements for further information related to the fixed rate debt issuance.

During 2015 we entered into new interest rate swaps with notional amounts totaling approximately $2.0 billion that were designated as fair value hedges of certain U.S. Dollar Notes. Additionally during 2015 we terminated interest rate swaps with notional amounts totaling approximately $4.3 billion which were previously designated as fair value hedges of certain U.S. Dollar Notes. Refer to Note 7 within Notes to Consolidated Financial Statements.

There were no outstanding interest rate swaps as of year-end 2015. The total notional amount of interest rate swaps at year-end 2014 was $3 billion, representing a settlement obligation of $12 million. As there were no interest rate swaps or variable rate debt outstanding at year-end 2015, changes in interest rates would have no impact to annual interest expense. Assuming average variable rate debt levels during the year, a one percentage point increase in interest rates would have increased interest expense by approximately $36 million at year-end 2014.

Price risk

Our company is exposed to price fluctuations primarily as a result of anticipated purchases of raw and packaging materials, fuel, and energy. Primary exposures include corn, wheat, potato flakes, soybean oil, sugar, cocoa, cartonboard, natural gas, and diesel fuel. We have historically used the combination of long-term contracts with suppliers, and exchange-traded futures and option contracts to reduce price fluctuations in a desired percentage of forecasted raw material purchases over a duration of generally less than 18 months.

The total notional amount of commodity derivative instruments at year-end 2015 was $470 million, representing a settlement obligation of approximately $43 million. The total notional amount of commodity derivative instruments at year-end 2014 was $492 million, representing a settlement obligation of approximately $56 million. Assuming a 10% decrease in year-end commodity prices, the settlement obligation would have increased by approximately $27 million at year-end 2015, and $31 million at year-end 2014, generally offset by a reduction in the cost of the underlying commodity purchases.

In addition to the commodity derivative instruments discussed above, we use long-term contracts with suppliers to manage a portion of the price exposure associated with future purchases of certain raw materials, including rice, sugar, cartonboard, and corrugated boxes. It should be noted the exclusion of these contracts from the analysis above could be a limitation in assessing the net market risk of our company.

Reciprocal collateralization agreements

In some instances we have reciprocal collateralization agreements with counterparties regarding fair value positions in excess of certain thresholds. These agreements call for the posting of collateral in the form of cash, treasury securities or letters of credit if a net liability position to us or our counterparties exceeds a certain amount. As of January 2, 2016 and January 3, 2015, we had no collateral posting requirements related to reciprocal collateralization agreements. As of January 2, 2016 and January 3, 2015, we posted $51 million and $50 million, respectively, in margin deposits for exchange-traded commodity derivative instruments, which was reflected as an increase in accounts receivable, net on the Consolidated Balance Sheet.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Kellogg Company and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

(millions, except per share data)	2015	2014	2013
Net sales	**$ 13,525**	$ 14,580	$ 14,792
Cost of goods sold	**8,844**	9,517	8,689
Selling, general and administrative expense	**3,590**	4,039	3,266
Operating profit	**$ 1,091**	$ 1,024	$ 2,837
Interest expense	**227**	209	235
Other income (expense), net	**(91)**	10	4
Income before income taxes	**773**	825	2,606
Income taxes	**159**	186	792
Earnings (loss) from unconsolidated entities	**—**	(6)	(6)
Net income	**$ 614**	$ 633	$ 1,808
Net income (loss) attributable to noncontrolling interests	**—**	1	1
Net income attributable to Kellogg Company	**$ 614**	$ 632	$ 1,807
Per share amounts:			
Basic	**$ 1.74**	$ 1.76	$ 4.98
Diluted	**$ 1.72**	$ 1.75	$ 4.94
Dividends per share	**$ 1.98**	$ 1.90	$ 1.80

Refer to Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(millions)	2015 Pre-tax amount	2015 Tax (expense) benefit	2015 After-tax amount	2014 Pre-tax amount	2014 Tax (expense) benefit	2014 After-tax amount	2013 Pre-tax amount	2013 Tax (expense) benefit	2013 After-tax amount
Net income			$ 614			$ 633			$ 1,808
Other comprehensive income:									
Foreign currency translation adjustments	$ (170)	$ (26)	(196)	$ (231)	$ (32)	(263)	$ (24)	$ —	(24)
Cash flow hedges:									
Unrealized gain (loss) on cash flow hedges	8	(3)	5	(35)	18	(17)	11	(1)	10
Reclassification to net income	(23)	3	(20)	(10)	2	(8)	(6)	—	(6)
Postretirement and postemployment benefits:									
Amounts arising during the period:									
Net experience gain (loss)	—	—	—	(8)	3	(5)	17	(6)	11
Prior service credit (cost)	63	(24)	39	10	(3)	7	9	(2)	7
Reclassification to net income:									
Net experience loss	3	(1)	2	3	(1)	2	5	(2)	3
Prior service cost	9	(3)	6	10	(3)	7	13	(4)	9
Other comprehensive income (loss)	$ (110)	$ (54)	$ (164)	$ (261)	$ (16)	$ (277)	$ 25	$ (15)	$ 10
Comprehensive income			$ 450			$ 356			$ 1,818
Net income (loss) attributable to noncontrolling interests			—			1			1
Other comprehensive income (loss) attributable to noncontrolling interests			(1)			—			—
Comprehensive income attributable to Kellogg Company			$ 451			$ 355			$ 1,817

Refer to notes to Consolidated Financial Statements.

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Kellogg Company and Subsidiaries

CONSOLIDATED BALANCE SHEET

(millions, except share data)		**2015**		2014
Current assets				
Cash and cash equivalents	**$**	**251**	$	443
Accounts receivable, net		**1,344**		1,276
Inventories		**1,250**		1,279
Other current assets		**391**		342
Total current assets		**3,236**		3,340
Property, net		**3,621**		3,769
Goodwill		**4,968**		4,971
Other intangibles, net		**2,268**		2,295
Investment in unconsolidated entities		**456**		1
Other assets		**716**		777
Total assets	**$**	**15,265**	$	15,153
Current liabilities				
Current maturities of long-term debt	**$**	**1,266**	$	607
Notes payable		**1,204**		828
Accounts payable		**1,907**		1,528
Other current liabilities		**1,362**		1,401
Total current liabilities		**5,739**		4,364
Long-term debt		**5,289**		5,935
Deferred income taxes		**685**		726
Pension liability		**946**		777
Other liabilities		**468**		500
Commitments and contingencies		—		—
Equity				
Common stock, $.25 par value, 1,000,000,000 shares authorized Issued: 420,315,589 shares in 2015 and 420,125,937 shares in 2014		**105**		105
Capital in excess of par value		**745**		678
Retained earnings		**6,597**		6,689
Treasury stock, at cost 70,291,514 shares in 2015 and 64,123,181 shares in 2014		**(3,943)**		(3,470)
Accumulated other comprehensive income (loss)		**(1,376)**		(1,213)
Total Kellogg Company equity		**2,128**		2,789
Noncontrolling interests		**10**		62
Total equity		**2,138**		2,851
Total liabilities and equity	**$**	**15,265**	$	15,153

Refer to Notes to Consolidated Financial Statements.

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Kellogg Company and Subsidiaries

CONSOLIDATED STATEMENT OF EQUITY

(millions)	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, December 29, 2012	420	$ 105	$ 573	$ 5,615	58	$ (2,943)	$ (946)	$ 2,404	$ 61	$ 2,465	$ 1,021
Common stock repurchases					9	(544)		(544)		(544)	
Net income (loss)				1,807				1,807	1	1,808	1,808
Dividends				(653)				(653)		(653)	
Other comprehensive income							10	10		10	10
Stock compensation			28					28		28	
Stock options exercised and other			25	(20)	(10)	488		493		493	
Balance, December 28, 2013	420	$ 105	$ 626	$ 6,749	57	$ (2,999)	$ (936)	$ 3,545	$ 62	$ 3,607	$ 1,818
Common stock repurchases					11	(690)		(690)		(690)	
Net income (loss)				632				632	1	633	633
Dividends				(680)				(680)	(1)	(681)	
Other comprehensive loss							(277)	(277)		(277)	(277)
Stock compensation			29					29		29	
Stock options exercised and other			23	(12)	(4)	219		230		230	
Balance, January 3, 2015	420	$ 105	$ 678	$ 6,689	64	$ (3,470)	$ (1,213)	$ 2,789	$ 62	$ 2,851	$ 356
Common stock repurchases					11	(731)		(731)		(731)	
Net income (loss)				614				614		614	614
Acquisition of noncontrolling interest									7	7	
VIE deconsolidation									(58)	(58)	
Dividends				(700)				(700)		(700)	
Other comprehensive loss							(163)	(163)	(1)	(164)	(164)
Stock compensation			51					51		51	
Stock options exercised and other	—		16	(6)	(5)	258		268		268	
Balance, January 2, 2016	**420**	**$ 105**	**$ 745**	**$ 6,597**	**70**	**$ (3,943)**	**$ (1,376)**	**$ 2,128**	**$ 10**	**$ 2,138**	**$ 450**

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Kellogg Company and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

(millions)		2015		2014		2013
Operating activities						
Net income	**$**	**614**	$	633	$	1,808
Adjustments to reconcile net income to operating cash flows:						
Depreciation and amortization		**534**		503		532
Postretirement benefit plan (income) expense		**320**		803		(1,078)
Deferred income taxes		**(169)**		(254)		317
Stock compensation		**51**		37		34
Venezuela remeasurement		**169**		—		15
VIE deconsolidation		**(49)**		—		—
Other		**(13)**		(125)		(15)
Postretirement benefit plan contributions		**(33)**		(53)		(48)
Changes in operating assets and liabilities, net of acquisitions:						
Trade receivables		**(127)**		131		(50)
Inventories		**(42)**		(30)		112
Accounts payable		**427**		96		31
Accrued income taxes		**29**		87		4
Accrued interest expense		**5**		(2)		(9)
Accrued and prepaid advertising, promotion and trade allowances		**7**		(21)		(32)
Accrued salaries and wages		**20**		(7)		61
All other current assets and liabilities		**(52)**		(5)		125
Net cash provided by (used in) operating activities	**$**	**1,691**	$	1,793	$	1,807
Investing activities						
Additions to properties	**$**	**(553)**	$	(582)	$	(637)
Acquisitions, net of cash acquired		**(161)**		—		—
Investments in unconsolidated entities		**(456)**		(6)		(6)
Other		**43**		15		2
Net cash provided by (used in) investing activities	**$**	**(1,127)**	$	(573)	$	(641)
Financing activities						
Net increase (reduction) of notes payable, with maturities less than or equal to 90 days		**443**		183		(524)
Issuances of notes payable, with maturities greater than 90 days		**214**		1,030		640
Reductions of notes payable, with maturities greater than 90 days		**(283)**		(1,124)		(442)
Issuances of long-term debt		**696**		952		645
Reductions of long-term debt		**(606)**		(960)		(762)
Net issuances of common stock		**261**		217		475
Common stock repurchases		**(731)**		(690)		(544)
Cash dividends		**(700)**		(680)		(653)
Other		**—**		9		24
Net cash provided by (used in) financing activities	**$**	**(706)**	$	(1,063)	$	(1,141)
Effect of exchange rate changes on cash and cash equivalents		**(50)**		13		(33)
Increase (decrease) in cash and cash equivalents	**$**	**(192)**	$	170	$	(8)
Cash and cash equivalents at beginning of period		**443**		273		281
Cash and cash equivalents at end of period	**$**	**251**	$	443	$	273
Supplemental cash flow disclosures:						
Interest paid	**$**	**228**	$	209	$	234
Income taxes paid	**$**	**337**	$	414	$	426
Supplemental cash flow disclosures of non-cash investing activities:						
Additions to properties included in accounts payable	**$**	**147**	$	136	$	135

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Notes to Consolidated Financial Statements

NOTE 1
ACCOUNTING POLICIES

Basis of presentation
The consolidated financial statements include the accounts of the Kellogg Company, those of the subsidiaries that it controls due to ownership of a majority voting interest and the accounts of the variable interest entities (VIEs) of which Kellogg Company is the primary beneficiary (Kellogg or the Company). The Company continually evaluates its involvement with VIEs to determine whether it has variable interests and is the primary beneficiary of the VIE. When these criteria are met, the Company is required to consolidate the VIE. The Company's share of earnings or losses of nonconsolidated affiliates is included in its consolidated operating results using the equity method of accounting when it is able to exercise significant influence over the operating and financial decisions of the affiliate. The Company uses the cost method of accounting if it is not able to exercise significant influence over the operating and financial decisions of the affiliate. Intercompany balances and transactions are eliminated.

The Company's fiscal year normally ends on the Saturday closest to December 31 and as a result, a 53rd week is added approximately every sixth year. The Company's 2015 and 2013 fiscal years each contained 52 weeks and ended on January 2, 2016 and December 28, 2013, respectively. The Company's 2014 fiscal year ended on January 3, 2015, and included a 53rd week. While quarters normally consist of 13-week periods, the fourth quarter of fiscal 2014 included a 14th week.

Use of estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods reported. Actual results could differ from those estimates.

Cash and cash equivalents
Highly liquid investments with remaining stated maturities of three months or less when purchased are considered cash equivalents and recorded at cost.

Accounts receivable
Accounts receivable consists principally of trade receivables, which are recorded at the invoiced amount, net of allowances for doubtful accounts and prompt payment discounts. Trade receivables do not bear interest. The allowance for doubtful accounts represents management's estimate of the amount of probable credit losses in existing accounts receivable, as determined from a review of past due balances and other specific account data. Account balances are written off against the allowance when management determines the receivable is uncollectible. The Company does not have off-balance sheet credit exposure related to its customers.

Inventories
Inventories are valued at the lower of cost or market. Cost is determined on an average cost basis.

Property
The Company's property consists mainly of plants and equipment used for manufacturing activities. These assets are recorded at cost and depreciated over estimated useful lives using straight-line methods for financial reporting and accelerated methods, where permitted, for tax reporting. Major property categories are depreciated over various periods as follows (in years): manufacturing machinery and equipment 5-30; office equipment 4-5; computer equipment and capitalized software 3-7; building components 15-25; building structures 30-50. Cost includes interest associated with significant capital projects. Plant and equipment are reviewed for impairment when conditions indicate that the carrying value may not be recoverable. Such conditions include an extended period of idleness or a plan of disposal. Assets to be disposed of at a future date are depreciated over the remaining period of use. Assets to be sold are written down to realizable value at the time the assets are being actively marketed for sale and a sale is expected to occur within one year. As of year-end 2015 and 2014, the carrying value of assets held for sale was insignificant.

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Goodwill and other intangible assets

Goodwill and indefinite-lived intangibles are not amortized, but are tested at least annually for impairment of value and whenever events or changes in circumstances indicate the carrying amount of the asset may be impaired. An intangible asset with a finite life is amortized on a straight-line basis over the estimated useful life.

For the goodwill impairment test, the fair value of the reporting units are estimated based on market multiples. This approach employs market multiples based on earnings before interest, taxes, depreciation and amortization and earnings for companies that are comparable to the Company's reporting units. In the event the fair value determined using the market multiple approach is close to carrying value, the Company may supplement the fair value determination using discounted cash flows. The assumptions used for the impairment test are consistent with those utilized by a market participant performing similar valuations for the Company's reporting units.

Similarly, impairment testing of other intangible assets requires a comparison of carrying value to fair value of that particular asset. Fair values of non-goodwill intangible assets are based primarily on projections of future cash flows to be generated from that asset. For instance, cash flows related to a particular trademark would be based on a projected royalty stream attributable to branded product sales, discounted at rates consistent with rates used by market participants.

These estimates are made using various inputs including historical data, current and anticipated market conditions, management plans, and market comparables.

Accounts payable

Beginning in 2014, the Company has an agreement with a third party to provide an accounts payable tracking system which facilitates participating suppliers' ability to monitor and, if elected, sell payment obligations from the Company to designated third-party financial institutions. Participating suppliers may, at their sole discretion, make offers to sell one or more payment obligations of the Company prior to their scheduled due dates at a discounted price to participating financial institutions. The Company's goal in entering into this agreement is to capture overall supplier savings, in the form of payment terms or vendor funding, created by facilitating suppliers' ability to sell payment obligations, while providing them with greater working capital flexibility. We have no economic interest in the sale of these suppliers' receivables and no direct financial relationship with the financial institutions concerning these services. The Company's obligations to its suppliers, including amounts due and scheduled payment dates, are not impacted by suppliers' decisions to sell amounts under this arrangement. However, the Company's right to offset balances due from suppliers against payment obligations is restricted by this agreement for those payment obligations that have been sold by suppliers. As of January 2, 2016, $501 million of the Company's outstanding payment obligations had been placed in the accounts payable tracking system, and participating suppliers had sold $407 million of those payment obligations to participating financial institutions. As of January 3, 2015, $236 million of the Company's outstanding payment obligations had been placed in the accounts payable tracking system, and participating suppliers had sold $184 million of those payment obligations to participating financial institutions.

Revenue recognition

The Company recognizes sales upon delivery of its products to customers. Revenue, which includes shipping and handling charges billed to the customer, is reported net of applicable provisions for discounts, returns, allowances, and various government withholding taxes. Methodologies for determining these provisions are dependent on local customer pricing and promotional practices, which range from contractually fixed percentage price reductions to reimbursement based on actual occurrence or performance. Where applicable, future reimbursements are estimated based on a combination of historical patterns and future expectations regarding specific in-market product performance.

Advertising and promotion

The Company expenses production costs of advertising the first time the advertising takes place. Advertising expense is classified in selling, general and administrative (SGA) expense.

The Company classifies promotional payments to its customers, the cost of consumer coupons, and other cash redemption offers in net sales. The cost of promotional package inserts is recorded in cost of goods sold (COGS). Other types of consumer promotional expenditures are recorded in SGA expense.

Research and development

The costs of research and development (R&D) are expensed as incurred and are classified in SGA expense. R&D includes expenditures for new product and process innovation, as well as significant technological improvements to existing products and processes. The Company's R&D expenditures primarily consist of internal salaries, wages, consulting, and supplies attributable to time spent on R&D activities. Other costs include depreciation and

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maintenance of research facilities and equipment, including assets at manufacturing locations that are temporarily engaged in pilot plant activities.

Stock-based compensation

The Company uses stock-based compensation, including stock options, restricted stock, restricted stock units, and executive performance shares, to provide long-term performance incentives for its global workforce.

The Company classifies pre-tax stock compensation expense principally in SGA expense within its corporate operations. Expense attributable to awards of equity instruments is recorded in capital in excess of par value in the Consolidated Balance Sheet.

Certain of the Company's stock-based compensation plans contain provisions that accelerate vesting of awards upon retirement, disability, or death of eligible employees and directors. A stock-based award is considered vested for expense attribution purposes when the employee's retention of the award is no longer contingent on providing subsequent service. Accordingly, the Company recognizes compensation cost immediately for awards granted to retirement-eligible individuals or over the period from the grant date to the date retirement eligibility is achieved, if less than the stated vesting period.

The Company recognizes compensation cost for stock option awards that have a graded vesting schedule on a straight-line basis over the requisite service period for the entire award.

Corporate income tax benefits realized upon exercise or vesting of an award in excess of that previously recognized in earnings ("windfall tax benefit") is recorded in other financing activities in the Consolidated Statement of Cash Flows. Realized windfall tax benefits are credited to capital in excess of par value in the Consolidated Balance Sheet. Realized shortfall tax benefits (amounts which are less than that previously recognized in earnings) are first offset against the cumulative balance of windfall tax benefits, if any, and then charged directly to income tax expense. The Company currently has sufficient cumulative windfall tax benefits to absorb arising shortfalls, such that earnings were not affected during the periods presented. Correspondingly, the Company includes the impact of pro forma deferred tax assets (i.e., the "as if" windfall or shortfall) for purposes of determining assumed proceeds in the treasury stock calculation of diluted earnings per share.

Income taxes

The Company recognizes uncertain tax positions based on a benefit recognition model. Provided that the tax position is deemed more likely than not of being sustained, the Company recognizes the largest amount of tax benefit that is greater than 50 percent likely of being ultimately realized upon settlement. The tax position is derecognized when it is no longer more likely than not of being sustained. The Company classifies income tax-related interest and penalties as interest expense and SGA expense, respectively, on the Consolidated Statement of Income. The current portion of the Company's unrecognized tax benefits is presented in the Consolidated Balance Sheet in other current assets and other current liabilities, and the amounts expected to be settled after one year are recorded in other assets and other liabilities.

Income taxes are provided on the portion of foreign earnings that is expected to be remitted to and taxable in the United States.

Derivative Instruments

The fair value of derivative instruments is recorded in other current assets, other assets, other current liabilities or other liabilities. Gains and losses representing either hedge ineffectiveness, hedge components excluded from the assessment of effectiveness, or hedges of translational exposure are recorded in the Consolidated Statement of Income in other income (expense), net (OIE). In the Consolidated Statement of Cash Flows, settlements of cash flow and fair value hedges are classified as an operating activity; settlements of all other derivative instruments, including instruments for which hedge accounting has been discontinued, are classified consistent with the nature of the instrument.

Cash flow hedges. Qualifying derivatives are accounted for as cash flow hedges when the hedged item is a forecasted transaction. Gains and losses on these instruments are recorded in other comprehensive income until the underlying transaction is recorded in earnings. When the hedged item is realized, gains or losses are reclassified from accumulated other comprehensive income (loss) (AOCI) to the Consolidated Statement of Income on the same line item as the underlying transaction.

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Fair value hedges. Qualifying derivatives are accounted for as fair value hedges when the hedged item is a recognized asset, liability, or firm commitment. Gains and losses on these instruments are recorded in earnings, offsetting gains and losses on the hedged item.

Net investment hedges. Qualifying derivative and nonderivative financial instruments are accounted for as net investment hedges when the hedged item is a nonfunctional currency investment in a subsidiary. Gains and losses on these instruments are included in foreign currency translation adjustments in AOCI.

Derivatives not designated for hedge accounting. Gains and losses on these instruments are recorded in the Consolidated Statement of Income, on the same line item as the underlying hedged item.

Other contracts. The Company periodically enters into foreign currency forward contracts and options to reduce volatility in the translation of foreign currency earnings to U.S. dollars. Gains and losses on these instruments are recorded in OIE, generally reducing the exposure to translation volatility during a full-year period.

Foreign currency exchange risk. The Company is exposed to fluctuations in foreign currency cash flows related primarily to third-party purchases, intercompany transactions and when applicable, nonfunctional currency denominated third-party debt. The Company is also exposed to fluctuations in the value of foreign currency investments in subsidiaries and cash flows related to repatriation of these investments. Additionally, the Company is exposed to volatility in the translation of foreign currency denominated earnings to U.S. dollars. Management assesses foreign currency risk based on transactional cash flows and translational volatility and may enter into forward contracts, options, and currency swaps to reduce fluctuations in long or short currency positions.
Forward contracts and options are generally less than 18 months duration. Currency swap agreements are established in conjunction with the term of underlying debt issues.

For foreign currency cash flow and fair value hedges, the assessment of effectiveness is generally based on changes in spot rates. Changes in time value are reported in OIE.

Interest rate risk. The Company is exposed to interest rate volatility with regard to future issuances of fixed rate debt and existing and future issuances of variable rate debt. The Company periodically uses interest rate swaps, including forward-starting swaps, to reduce interest rate volatility and funding costs associated with certain debt issues, and to achieve a desired proportion of variable versus fixed rate debt, based on current and projected market conditions.

Fixed-to-variable interest rate swaps are accounted for as fair value hedges and the assessment of effectiveness is based on changes in the fair value of the underlying debt, using incremental borrowing rates currently available on loans with similar terms and maturities.

Price risk. The Company is exposed to price fluctuations primarily as a result of anticipated purchases of raw and packaging materials, fuel, and energy. The Company has historically used the combination of long-term contracts with suppliers, and exchange-traded futures and option contracts to reduce price fluctuations in a desired percentage of forecasted raw material purchases over a duration of generally less than 18 months.

Certain commodity contracts are accounted for as cash flow hedges, while others are marked to market through earnings. The assessment of effectiveness for exchange-traded instruments is based on changes in futures prices. The assessment of effectiveness for over-the-counter transactions is based on changes in designated indices.

Pension benefits, nonpension postretirement and postemployment benefits
The Company sponsors a number of U.S. and foreign plans to provide pension, health care, and other welfare benefits to retired employees, as well as salary continuance, severance, and long-term disability to former or inactive employees.

The recognition of benefit expense is based on actuarial assumptions, such as discount rate, long-term rate of compensation increase, long-term rate of return on plan assets and health care cost trend rate, and is reported in COGS and SGA expense on the Consolidated Statement of Income.

Postemployment benefits. The Company recognizes an obligation for postemployment benefit plans that vest or accumulate with service. Obligations associated with the Company's postemployment benefit plans, which are unfunded, are included in other current liabilities and other liabilities on the Consolidated Balance Sheet. All gains and losses are recognized over the average remaining service period of active plan participants.

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Postemployment benefits that do not vest or accumulate with service or benefits to employees in excess of those specified in the respective plans are expensed as incurred.

Pension and nonpension postretirement benefits. The Company recognizes actuarial gains and losses in operating results in the year in which they occur. Experience gains and losses are recognized annually as of the measurement date, which is the Company's fiscal year-end, or when remeasurement is otherwise required under generally accepted accounting principles. The Company uses the fair value of plan assets to calculate the expected return on plan assets.

Reportable segments are allocated service cost and amortization of prior service cost. All other components of pension and postretirement benefit expense, including interest cost, expected return on assets, and experience gains and losses are considered unallocated corporate costs and are not included in the measure of reportable segment operating results. See Note 17 for more information on reportable segments.

Management reviews the Company's expected long-term rates of return annually; however, the benefit trust investment performance for one particular year does not, by itself, significantly influence this evaluation. The expected rates of return are generally not revised provided these rates fall between the 25th and 75th percentile of expected long-term returns, as determined by the Company's modeling process.

For defined benefit pension and postretirement plans, the Company records the net overfunded or underfunded position as a pension asset or pension liability on the Consolidated Balance Sheet.

New accounting standards

Practical expedient for the measurement date of an employer's defined benefit obligation and plan assets. In April 2015, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) to provide a practical expedient for the measurement date of an employer's defined benefit obligation and plan assets. For an entity with a fiscal year-end that does not coincide with a month-end, the amendments in this Update provide a practical expedient that permits the entity to measure defined benefit plan assets and obligations using the month-end that is closest to the entity's fiscal year-end and apply that practical expedient consistently to all plans from year to year. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted. Entities should apply the new guidance on a prospective basis. The Company early adopted the updated standard when measuring the fair value of plan assets at the end of its 2015 fiscal year with no impact to the Consolidated Financial Statements.

Presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. In July 2013, the FASB issued an ASU which provides guidance on financial statement presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This ASU is expected to eliminate diversity in practice resulting from lack of previously existing guidance. It applies to all entities with unrecognized tax benefits that also have tax loss or tax credit carryforwards in the same tax jurisdiction as of the reporting date. The Company adopted the revised guidance in 2014 with no significant impact to the Consolidated Financial Statements.

Accounting standards to be adopted in future periods

Recognition and measurement of financial assets and liabilities. In January 2016, the FASB issued an ASU which primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption can be elected for all financial statements of fiscal years and interim periods that have not yet been issued or that have not yet been made available for issuance. Entities should apply the update by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The Company will adopt the updated standard in the first quarter of 2018. The Company does not expect the adoption of this guidance to have a significant impact on its financial statements.

Balance sheet classification of deferred taxes. In November 2015, the FASB issued an ASU to simplify the presentation of deferred income taxes. The ASU requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Entities should apply the new guidance either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. Early adoption is permitted. The Company is currently evaluating when it will adopt the updated standard and whether to use the prospective or retrospective method. The year-end 2015 balance for current deferred tax assets and liabilities was

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$227 million and $(9) million, respectively. Please see Note 12 for more information on the Company's deferred tax assets and liabilities.

Simplifying the accounting for measurement-period adjustments. In September 2015, the FASB issued an ASU to simplify the accounting for measurement-period adjustments for items in a business combination. The ASU requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Entities should apply the new guidance prospectively to adjustments to provisional amounts that occur after the effective date of the ASU with earlier application permitted for financial statements that have not been issued. The Company will adopt the updated standard in the first quarter of 2016. The Company does not expect the adoption of this guidance to have a significant impact on its financial statements.

Simplifying the presentation of debt issuance costs. In April 2015, the FASB issued an ASU to simplify the presentation of debt issuance costs. The ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted. Entities should apply the new guidance on a retrospective basis. The Company will adopt the updated standard in the first quarter of 2016. The Company does not expect the adoption of this guidance to have a significant impact on its financial statements.

Customer's accounting for fees paid in a cloud computing arrangement. In April 2015, the FASB issued an ASU to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted. Entities should apply the new guidance either; 1) prospectively to all arrangements entered into or materially modified after the effective date or 2) retrospectively. The Company will adopt the updated standard prospectively in the first quarter of 2016. The Company does not expect the adoption of this guidance to have a significant impact on its financial statements.

Revenue from contracts with customers. In May 2014, the FASB issued an ASU which provides guidance for accounting for revenue from contracts with customers. The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. To achieve that core principle, an entity would be required to apply the following five steps: 1) identify the contract(s) with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations in the contract and 5) recognize revenue when (or as) the entity satisfies a performance obligation. When the ASU was originally issued it was effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption was not permitted. On July 9, 2015, the FASB decided to delay the effective date of the new revenue standard by one year. The updated standard will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Entities will be permitted to adopt the new revenue standard early, but not before the original effective date. Entities will have the option to apply the final standard retrospectively or use a modified retrospective method, recognizing the cumulative effect of the ASU in retained earnings at the date of initial application. An entity will not restate prior periods if it uses the modified retrospective method, but will be required to disclose the amount by which each financial statement line item is affected in the current reporting period by the application of the ASU as compared to the guidance in effect prior to the change, as well as reasons for significant changes. The Company will adopt the updated standard in the first quarter of 2018. The Company is currently evaluating the impact that implementing this ASU will have on its financial statements and disclosures, as well as whether it will use the retrospective or modified retrospective method of adoption.

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NOTE 2
GOODWILL AND OTHER INTANGIBLE ASSETS

Bisco Misr and Mass Foods acquisitions

In January 2015, the Company completed its acquisition of a majority interest in Bisco Misr, the number one packaged biscuits company in Egypt, for $125 million, or $117 million net of cash and cash equivalents acquired. In October 2015, the Company acquired additional ownership in Bisco Misr through payment of $13 million to non-controlling interests, which is reported as financing activity on the Consolidated Statement of Cash Flows. As of January 2, 2016, the Company owns greater than 95% of Bisco Misr outstanding shares.

In September 2015, the Company completed the acquisition of Mass Foods, Egypt's leading cereal company, for $46 million, or $44 million, net of cash and cash equivalents acquired, subject to certain purchase price adjustments.

The acquisitions were accounted for under the purchase method and were financed through cash on hand. The assets and liabilities of Bisco Misr and Mass Foods are included in the Consolidated Balance Sheet as of January 2, 2016 and the results of their operations subsequent to the acquisition date, which are immaterial, are included in the Consolidated Statement of Income within the Europe operating segment. In addition, the pro-forma effect of these acquisitions, if the acquisitions had been completed at the beginning of 2014, would have been immaterial.

The acquired assets and assumed liabilities include the following:

(millions)		January 18, 2015
Current assets	$	21
Property		90
Goodwill		81
Intangible assets and other		46
Current liabilities		(24)
Other non current liabilities, primarily deferred taxes		(33)
Non-controlling interests		(20)
	$	161

Goodwill, which is not expected to be deductible for statutory tax purposes, is calculated as the excess of the purchase price over the fair value of the net assets recognized. The goodwill recorded primarily reflects the value of providing an established platform to leverage the Company's existing brands in the markets served by Bisco Misr and Mass Foods as well as any intangible assets that do not qualify for separate recognition. The allocation of purchase price for Bisco Misr was finalized in the 4th quarter of 2015. The allocation of the purchase price of Mass Foods is subject to revision when appraisals are finalized, which is expected to occur no later than the third quarter of 2016.

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Changes in the carrying amount of goodwill are presented in the following table.

Changes in the carrying amount of goodwill (millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	North America Other	Europe	Latin America	Asia Pacific	Consolidated
December 28, 2013*	$ 131	$ 3,589	$ 82	$ 470	$ 452	$ 89	$ 238	$ 5,051
Currency translation adjustment	—	—	—	(5)	(63)	(6)	(6)	(80)
January 3, 2015*	$ 131	$ 3,589	$ 82	$ 465	$ 389	$ 83	$ 232	$ 4,971
Additions	—	—	—	—	81	—	—	81
VIE deconsolidation	—	(21)	—	—	—	—	—	(21)
Currency translation adjustment	—	—	—	(9)	(39)	(7)	(8)	(63)
January 2, 2016	**$ 131**	**$ 3,568**	**$ 82**	**$ 456**	**$ 431**	**$ 76**	**$ 224**	**$ 4,968**

* In conjunction with the establishment of the Kashi operating segment, included within the North America Other reportable segment, certain intangible assets were reallocated. All prior period balances were updated to conform with current presentation.

Intangible assets subject to amortization (millions) Gross carrying amount	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	North America Other	Europe	Latin America	Asia Pacific	Consolidated
December 28, 2013	$ 8	$ 65	$ —	$ 5	$ 42	$ 6	$ 10	$ 136
Currency translation adjustment	—	—	—	—	(4)	—	—	(4)
January 3, 2015	$ 8	$ 65	$ —	$ 5	$ 38	$ 6	$ 10	$ 132
Additions	—	—	—	—	9	—	—	9
VIE deconsolidation	—	(23)	—	—	—	—	—	(23)
Currency translation adjustment	—	—	—	—	(2)	—	—	(2)
January 2, 2016	**$ 8**	**$ 42**	**$ —**	**$ 5**	**$ 45**	**$ 6**	**$ 10**	**$ 116**
Accumulated Amortization								
December 28, 2013	$ 8	$ 11	$ —	$ 4	$ 4	$ 6	$ 1	$ 34
Amortization	—	5	—	—	3	—	1	9
January 3, 2015	$ 8	$ 16	$ —	$ 4	$ 7	$ 6	$ 2	$ 43
VIE deconsolidation	—	(4)	—	—	—	—	—	(4)
Amortization (a)	—	4	—	—	4	—	—	8
January 2, 2016	**$ 8**	**$ 16**	**$ —**	**$ 4**	**$ 11**	**$ 6**	**$ 2**	**$ 47**
Intangible assets subject to amortization, net								
December 28, 2013	$ —	$ 54	$ —	$ 1	$ 38	$ —	$ 9	$ 102
Amortization	—	(5)	—	—	(3)	—	(1)	(9)
Currency translation adjustment	—	—	—	—	(4)	—	—	(4)
January 3, 2015	$ —	$ 49	$ —	$ 1	$ 31	$ —	$ 8	$ 89
Additions	—	—	—	—	9	—	—	9
VIE deconsolidation	—	(19)	—	—	—	—	—	(19)
Amortization (a)	—	(4)	—	—	(4)	—	—	(8)
Currency translation adjustment	—	—	—	—	(2)	—	—	(2)
January 2, 2016	**$ —**	**$ 26**	**$ —**	**$ 1**	**$ 34**	**$ —**	**$ 8**	**$ 69**

(a) The currently estimated aggregate amortization expense for each of the next five succeeding fiscal periods is approximately $7 million per year.

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Intangible assets not subject to amortization								
(millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	North America Other	Europe	Latin America	Asia Pacific	Consoli- dated
December 28, 2013*	$ —	$ 1,625	$ —	$ 158	$ 482	$ —	$ —	$ 2,265
Currency translation adjustment	—	—	—	—	(59)	—	—	(59)
January 3, 2015*	$ —	$ 1,625	$ —	$ 158	$ 423	$ —	$ —	$ 2,206
Additions	—	—	—	—	36	—	—	36
Currency translation adjustment	—	—	—	—	(43)	—	—	(43)
January 2, 2016	**$ —**	**$ 1,625**	**$ —**	**$ 158**	**$ 416**	**$ —**	**$ —**	**$ 2,199**

* In conjunction with the establishment of the Kashi operating segment, included within the North America Other reportable segment, certain intangible assets were reallocated. All prior period balances were updated to conform with current presentation.

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NOTE 3
INVESTMENTS IN UNCONSOLIDATED ENTITIES

In September 2015, the Company acquired, for $445 million, a 50% interest in Multipro Singapore Pte. Ltd. (Multipro), a leading distributor of a variety of food products in Nigeria and Ghana and also obtained an option to acquire 24.5% of an affiliated food manufacturing entity under common ownership based on a fixed multiple of future earnings as defined in the agreement (Purchase Option). The amount paid, which was financed with cash on hand and commercial paper borrowings, is subject to purchase price adjustments, including the finalization of Multipro's 2015 earnings as defined in the agreement.

The amount attributable to the Purchase Option of $77 million was recorded at cost and will be monitored for impairment through the exercise period. The Purchase Option becomes exercisable upon the earlier of the entity achieving a minimum level of earnings as defined in the agreement, in which case the Company has a one year exercise period, or 2020. The remaining $368 million paid for the 50% interest in Multipro is accounted for under the equity method of accounting

The difference between the amount paid for Multipro and the underlying equity in net assets is primarily attributable to intangible assets, a portion of which will be amortized in future periods, and goodwill.

Summarized combined financial information for the Company's investments in unconsolidated entities is as follows (on a 100% basis):

Statement of Operations (since time of investment in millions)		**Period ended January 2, 2016**
Net sales	$	289
Gross profit	$	44
Income before income taxes	$	12
Net income	$	5

Balance sheets		**January 2, 2016**
Current assets	$	78
Non-current assets	$	57
Current liabilities	$	(81)
Non-current liabilities	$	(25)

NOTE 4
RESTRUCTURING AND COST REDUCTION ACTIVITIES

The Company views its continued spending on restructuring and cost reduction activities as part of its ongoing operating principles to provide greater visibility in achieving its long-term profit growth targets. Initiatives undertaken are currently expected to recover cash implementation costs within a 5-year period of completion. Upon completion (or as each major stage is completed in the case of multi-year programs), the project begins to deliver cash savings and/or reduced depreciation.

Project K

Project K, a four-year efficiency and effectiveness program, was announced in November 2013 and is expected to generate a significant amount of savings that will be invested in key strategic areas of focus for the business. The Company expects that this investment will drive future growth in revenues, gross margin, operating profit, and cash flow.

The focus of the program will be to strengthen existing businesses in core markets, increase growth in developing and emerging markets, and drive an increased level of value-added innovation. The program is expected to provide a number of benefits, including an optimized supply chain infrastructure, the implementation of global business services, and a new global focus on categories.

The Company currently anticipates that the program will result in total pre-tax charges, once all phases are approved and implemented, of $1.2 to $1.4 billion, with after-tax cash costs, including incremental capital

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expenditures, estimated to be $900 million to $1.1 billion. Based on current estimates and actual charges incurred to date, the Company expects the total project charges will consist of asset-related costs totaling $400 to $450 million which will consist primarily of asset impairments, accelerated depreciation and other exit-related costs; employee-related costs totaling $400 to $450 million which will include severance, pension and other termination benefits; and other costs totaling $400 to $500 million which will consist primarily of charges related to the design and implementation of global business capabilities. A significant portion of other costs are the result of the implementation of global business service centers which are intended to simplify and standardize business support processes.

The Company currently expects that total pre-tax charges related to Project K will impact reportable segments as follows: U.S. Morning Foods (approximately 18%), U.S. Snacks (approximately 13%), U.S. Specialty (approximately 1%), North America Other (approximately 10%), Europe (approximately 17%), Latin America (approximately 2%), Asia-Pacific (approximately 6%), and Corporate (approximately 33%). Certain costs impacting Corporate relate to additional initiatives to be approved and executed in the future. When these initiatives are fully defined and approved, the Company will update estimated costs by reportable segment as needed.

Since inception of Project K, the Company has recognized charges of $817 million that have been attributed to the program. The charges were comprised of $6 million being recorded as a reduction of revenue, $517 million being recorded in COGS and $294 million recorded in SGA.

Other Projects

In 2015 we initiated the implementation of a zero-based budgeting (ZBB) program in our North America business that is expected to deliver visibility to ongoing annual savings. In support of the ZBB initiative, we incurred pre-tax charges of approximately $12 million in 2015.

All Projects

During 2015, the Company recorded $323 million of charges associated with all cost reduction initiatives. The charges were comprised of $4 million being recorded as a reduction of revenue, $191 million being recorded in COGS and $128 million recorded in SGA expense.

During 2014, the Company recorded $298 million of charges associated with all cost reduction initiatives. The charges were comprised of $2 million million being recorded as a reduction of revenue, $152 million being recorded in COGS and $144 million recorded in SGA expense.

The Company recorded $250 million of costs in 2013 associated with cost reduction initiatives. The charges were comprised of $195 million being recorded in COGS and $55 million recorded in SGA expense.

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The tables below provide the details for the charges incurred during 2015, 2014 and 2013 and program costs to date for all programs currently active as of January 2, 2016.

(millions)	2015	2014	2013	Program costs to date January 2, 2016
Employee related costs	**$ 62**	$ 90	$ 114	**$ 259**
Asset related costs	**103**	37	10	**146**
Asset impairment	**18**	21	70	**105**
Other costs	**140**	150	56	**319**
Total	**$ 323**	$ 298	$ 250	**$ 829**

(millions)	2015	2014	2013	Program costs to date January 2, 2016
U.S. Morning Foods	**$ 58**	$ 60	$ 109	**$ 218**
U.S. Snacks	**50**	57	30	**126**
U.S. Specialty	**5**	3	5	**11**
North America Other	**63**	18	11	**90**
Europe	**74**	80	27	**173**
Latin America	**4**	8	5	**16**
Asia Pacific	**13**	37	32	**74**
Corporate	**56**	35	31	**121**
Total	**$ 323**	$ 298	$ 250	**$ 829**

Employee related costs consisted of severance and pension charges. Asset impairments were recorded for fixed assets that were determined to be impaired and were written down to their estimated fair value. See Note 13 for more information. Asset related costs consist primarily of accelerated depreciation. Other costs incurred consist primarily of third-party incremental costs related to the development and implementation of global business capabilities.

At January 2, 2016 total project reserves were $88 million, related to severance payments and other costs of which a substantial portion will be paid in 2016 and 2017. The following table provides details for exit cost reserves.

(millions)	Employee Related Costs	Asset Impairment	Asset Related Costs	Other Costs	Total
Liability as of December 28, 2013	$ 66	$ —	$ —	$ 12	$ 78
2014 restructuring charges	90	21	37	150	298
Cash payments	(84)	—	(24)	(148)	(256)
Non-cash charges and other	24	(21)	(13)	—	(10)
Liability as of January 3, 2015	$ 96	$ —	$ —	$ 14	$ 110
2015 restructuring charges	62	18	103	140	323
Cash payments	(116)	—	(34)	(121)	(271)
Non-cash charges and other	13	(18)	(69)	—	(74)
Liability as of January 2, 2016	**$ 55**	**$ —**	**$ —**	**$ 33**	**$ 88**

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NOTE 5
EQUITY

Earnings per share

Basic earnings per share is determined by dividing net income attributable to Kellogg Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is similarly determined, except that the denominator is increased to include the number of additional common shares that would have been outstanding if all dilutive potential common shares had been issued. Dilutive potential common shares consist principally of employee stock options issued by the Company, and to a lesser extent, certain contingently issuable performance shares. Basic earnings per share is reconciled to diluted earnings per share in the following table:

(millions, except per share data)		Net income attributable to Kellogg Company	Average shares outstanding		Earnings per share
2015					
Basic	**$**	**614**	**354**	**$**	**1.74**
Dilutive potential common shares			**2**		**(0.02)**
Diluted	**$**	**614**	**356**	**$**	**1.72**
2014					
Basic	$	632	358	$	1.76
Dilutive potential common shares			2		(0.01)
Diluted	$	632	360	$	1.75
2013					
Basic	$	1,807	363	$	4.98
Dilutive potential common shares			2		(0.04)
Diluted	$	1,807	365	$	4.94

The total number of anti-dilutive potential common shares excluded from the reconciliation for each period was (in millions): 2015-2.7; 2014-5.0; 2013-5.0.

Stock transactions

The Company issues shares to employees and directors under various equity-based compensation and stock purchase programs, as further discussed in Note 8. The number of shares issued during the periods presented was (in millions): 2015–5; 2014–4; 2013–10. The Company issued shares totaling less than one million in each of the years presented under *Kellogg Direct*™ , a direct stock purchase and dividend reinvestment plan for U.S. shareholders.

In April 2013, the Company’s board of directors approved an authorization to repurchase up to $1 billion in shares through April 2014. In February 2014, the Company’s board of directors approved a new authorization to repurchase up to $1.5 billion in shares through December 2015. This authorization supersedes the April 2013 authorization and is intended to allow the Company to repurchase shares to offset issuances for employee benefit programs. In December 2015, the Company's board of directors approved an authorization to repurchase up to $1.5 billion in shares beginning in 2016 through December 2017.

In May 2013, the Company entered into an Accelerated Share Repurchase (ASR) Agreement with a financial institution counterparty and paid $355 million for the repurchase of shares during the term of the Agreement which extended through August 2013. During the second quarter of 2013, 4.9 million shares were initially delivered to the Company and accounted for as a reduction to Kellogg Company equity. The transaction was completed during the third quarter, at which time the Company received 0.6 million additional shares. The total number of shares delivered upon settlement of the ASR was based upon the volume weighted average price of the Company’s stock over the term of the agreement.

During 2015, the Company repurchased 11 million million shares of common stock for a total of $731 million . During 2014, the Company repurchased 11 million million shares of common stock for a total of $690 million . During 2013, the Company repurchased 9 million shares of common stock at a total cost of $544 million.

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Comprehensive income

Comprehensive income includes net income and all other changes in equity during a period except those resulting from investments by or distributions to shareholders. Other comprehensive income for all years presented consists of foreign currency translation adjustments, fair value adjustments associated with cash flow hedges and adjustments for net experience losses and prior service cost related to employee benefit plans. During the year ended January 2, 2016, the Company amended a U.S. postretirement health plan as well as a U.S. pension plan. As a result of the U.S. postretirement health plan amendment, a prior service credit was recognized in other comprehensive income with an offsetting reduction in the accumulated postretirement benefit obligation. The U.S. pension plan amendment increased the Company's pension benefit obligation with an offsetting increase in prior service costs in other comprehensive income. See Notes 9 and 10 for further details.

	2015			2014			2013		
	Pre-tax amount	**Tax (expense) benefit**	**After-tax amount**	Pre-tax amount	Tax (expense) benefit	After-tax amount	Pre-tax amount	Tax (expense) benefit	After-tax amount
Net income			**$ 614**			$ 633			$ 1,808
Other comprehensive income:									
Foreign currency translation adjustments	**$ (170)**	**$ (26)**	**(196)**	$ (231)	$ (32)	$ (263)	$ (24)	—	(24)
Cash flow hedges:									
Unrealized gain (loss) on cash flow hedges	**8**	**(3)**	**5**	(35)	18	(17)	11	(1)	10
Reclassification to net income	**(23)**	**3**	**(20)**	(10)	2	(8)	(6)	—	(6)
Postretirement and postemployment benefits:									
Amounts arising during the period:									
Net experience gain (loss)	**—**	**—**	**—**	(8)	3	(5)	17	(6)	11
Prior service credit (cost)	**63**	**(24)**	**39**	10	(3)	7	9	(2)	7
Reclassification to net income:									
Net experience loss	**3**	**(1)**	**2**	3	(1)	2	5	(2)	3
Prior service cost	**9**	**(3)**	**6**	10	(3)	7	13	(4)	9
Other comprehensive income (loss)	**$ (110)**	**$ (54)**	**$ (164)**	$ (261)	$ (16)	$ (277)	$ 25	$ (15)	$ 10
Comprehensive income			**$ 450**			$ 356			$ 1,818
Net income (loss) attributable to noncontrolling interests			**—**			1			1
Other comprehensive income (loss) attributable to noncontrolling interests			**(1)**			—			—
Comprehensive income attributable to Kellogg Company			**$ 451**			$ 355			$ 1,817

Reclassifications out of Accumulated Other Comprehensive Income (AOCI) for the year ended January 2, 2016 and January 3, 2015, consisted of the following:

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Details about AOCI Components		Amount reclassified from AOCI		Line item impacted within Income Statement
(millions)	2015	2014	2013	
Gains and losses on cash flow hedges:				
Foreign currency exchange contracts	$ (40)	$ (5)	$ (10)	COGS
Foreign currency exchange contracts	2	(3)	(2)	SGA
Interest rate contracts	3	(9)	(4)	Interest expense
Commodity contracts	12	7	10	COGS
	$ (23)	$ (10)	$ (6)	Total before tax
	3	2	—	Tax (expense) benefit
	$ (20)	$ (8)	$ (6)	Net of tax
Amortization of postretirement and postemployment benefits:				
Net experience loss	$ 3	$ 3	$ 5	(a)
Prior service cost	9	10	13	(a)
	$ 12	$ 13	$ 18	Total before tax
	(4)	(4)	(6)	Tax (expense) benefit
	$ 8	$ 9	$ 12	Net of tax
Total reclassifications	$ (12)	$ 1	$ 6	Net of tax

(a) See Note 9 and Note 10 for further details.

Accumulated other comprehensive income (loss) as of January 2, 2016 and January 3, 2015 consisted of the following:

(millions)	January 2, 2016	January 3, 2015
Foreign currency translation adjustments	$ (1,314)	$ (1,119)
Cash flow hedges — unrealized net gain (loss)	(39)	(24)
Postretirement and postemployment benefits:		
Net experience loss	(16)	(18)
Prior service cost	(7)	(52)
Total accumulated other comprehensive income (loss)	$ (1,376)	$ (1,213)

Noncontrolling interests

In December 2012, the Company entered into a series of agreements with a third party including a subordinated loan (VIE Loan) of $44 million which is convertible into approximately 85% of the equity of the entity (VIE). Due to this convertible subordinated loan and other agreements, the Company determined that the entity was a variable interest entity, the Company was the primary beneficiary and the Company consolidated the financial statements of the VIE in the U.S. Snacks operating segment. During 2015, the 2012 Agreements were terminated and the VIE Loan, including related accrued interest and other receivables, were settled, resulting in a charge of $19 million, which was recorded as Other income (expenses) in the year ended January 2, 2016. Upon termination of the 2012 Agreements, the Company was no longer considered the primary beneficiary of the VIE, the VIE was deconsolidated, and the Company derecognized all assets and liabilities of the VIE, including an allocation of a portion of goodwill from the U.S. Snacks operating segment, resulting in a $67 million non-cash gain, which was recorded within SGA expense for the year ended January 2, 2016.

NOTE 6
LEASES AND OTHER COMMITMENTS

The Company’s leases are generally for equipment and warehouse space. Rent expense on all operating leases was (in millions): 2015-$189; 2014-$183; 2013-$174. During 2015, 2014 and 2013, the Company entered into less than $1 million in capital lease agreements.

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At January 2, 2016, future minimum annual lease commitments under non-cancelable operating and capital leases were as follows:

(millions)	Operating leases	Capital leases
2016	$ 171	$ 2
2017	152	1
2018	119	1
2019	81	—
2020	62	—
2021 and beyond	87	1
Total minimum payments	$ 672	$ 5
Amount representing interest		—
Obligations under capital leases		5
Obligations due within one year		(2)
Long-term obligations under capital leases		$ 3

The Company has provided various standard indemnifications in agreements to sell and purchase business assets and lease facilities over the past several years, related primarily to pre-existing tax, environmental, and employee benefit obligations. Certain of these indemnifications are limited by agreement in either amount and/or term and others are unlimited. The Company has also provided various “hold harmless” provisions within certain service type agreements. Because the Company is not currently aware of any actual exposures associated with these indemnifications, management is unable to estimate the maximum potential future payments to be made. At January 2, 2016, the Company had not recorded any liability related to these indemnifications.

NOTE 7
DEBT

The following table presents the components of notes payable at year end January 2, 2016 and January 3, 2015:

(millions)	**2015**		2014	
	Principal amount	**Effective interest rate**	Principal amount	Effective interest rate
U.S. commercial paper	**$ 899**	**0.45%**	$ 681	0.36%
Europe commercial paper	**261**	**0.01**	96	0.09
Bank borrowings	**44**		51	
Total	**$ 1,204**		$ 828	

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The following table presents the components of long-term debt at year end January 2, 2016 and January 3, 2015:

(millions)	2015	2014
(a) 7.45% U.S. Dollar Debentures due 2031	**$ 1,090**	$ 1,090
(b) 1.25% Euro Notes due 2025	**651**	—
(c) 2.75% U.S. Dollar Notes due 2023	**210**	210
(d) 3.125% U.S. Dollar Notes due 2022	**369**	357
(e) 1.75% Euro Notes due 2021	**541**	597
(f) 4.0% U.S. Dollar Notes due 2020	**861**	842
(g) 4.15% U.S. Dollar Notes due 2019	**514**	497
(h) 3.25% U.S. Dollar Notes due 2018	**412**	410
(i) 2.05% Canadian Dollar Notes due 2017	**217**	259
(j) 1.75% U.S. Dollar Notes due 2017	**400**	396
(k) 1.875% U.S. Dollar Notes due 2016	**502**	504
(l) 4.45% U.S. Dollar Notes due 2016	**753**	760
(m) 1.125% U.S. Dollar Notes due 2015	**—**	350
(n) Floating-rate U.S. Dollar Notes due 2015	**—**	250
Other	**35**	20
	6,555	6,542
Less current maturities	**(1,266)**	(607)
Balance at year end	**$ 5,289**	$ 5,935

(a) In March 2001, the Company issued long-term debt instruments, primarily to finance the acquisition of Keebler Foods Company, of which $1.1 billion of thirty-year 7.45% Debentures remain outstanding. The effective interest rate on the Debentures, reflecting issuance discount and hedge settlement, was 7.54%. The Debentures contain standard events of default and covenants, and can be redeemed in whole or in part by the Company at any time at prices determined under a formula (but not less than 100% of the principal amount plus unpaid interest to the redemption date).

(b) In March 2015, the Company issued €600 million (approximately $651 million at January 2, 2016, which reflects the discount and translation adjustments) of ten-year 1.25% Euro Notes due 2025, using the proceeds from these Notes for general corporate purposes, which included repayment of a portion of the Company's commercial paper borrowings. The effective interest rate on the Notes, reflecting issuance discount and hedge settlement, was 2.07%. The Notes were designated as a net investment hedge of the Company's investment in its Europe subsidiary when issued.

(c) In February 2013, the Company issued $400 million of ten-year 2.75% U.S. Dollar Notes, using net proceeds from these Notes for general corporate purposes, including, together with cash on hand, to repay a portion of the Company's $750 million 4.25% U.S. Dollar Notes that matured in March 2013. The effective interest rate on these Notes, reflecting issuance discount and hedge settlement, was 2.74% . In March 2014, the Company redeemed $189 million of the Notes. In connection with the debt redemption, the Company reduced interest expense by $10 million , including $1 million of accelerated gains on interest rate swaps previously recorded in accumulated other comprehensive income, and incurred $2 million expense, recorded in Other Income, Expense (net), related to acceleration of fees on the redeemed debt and fees related to the tender offer.

(d) In May 2012, the Company issued $700 million of ten-year 3.125% U.S. Dollar Notes, using net proceeds from these Notes for general corporate purposes, including financing a portion of the acquisition of Pringles. The effective interest rate on these Notes, reflecting issuance discount and interest rate swaps, was 2.69% at January 2, 2016. In March 2014, the Company redeemed $342 million of the Notes. In connection with the debt redemption, the Company reduced interest expense by $2 million and incurred $2 million expense, recorded in Other Income, Expense (net), related to acceleration of fees on the redeemed debt and fees related to the tender offer. The Company entered into interest rate swaps in 2013 and 2014 with notional amounts totaling $200 million and $158 million, respectively, which effectively converted these Notes from a fixed rate to a floating rate obligation. These derivative instruments were designated as fair value hedges of the debt obligation. During 2015, the Company entered into and terminated a series of interest rate swaps and as of January 2, 2016 had terminated all interest rate swaps. The $13 million gain on termination at January 2, 2016 will be amortized to interest expense over the remaining term of the Notes. The fair value adjustment for the interest rate swaps was $1 million, at January 3, 2015, recorded as an increase in the hedged debt balance.

(e) In May 2014, the Company issued €500 million (approximately $541 million at January 2, 2016, which reflects the discount and translation adjustments) of seven-year 1.75% Euro Notes due 2021, using the proceeds from these Notes for general corporate purposes, which included repayment of a portion of the Company's commercial paper borrowings. The effective interest rate on the Notes, reflecting issuance discount and hedge settlement, was 2.18% . The Notes were designated as a net investment hedge of the Company's investment in its Europe subsidiary when issued.

(f) In December 2010, the Company issued $1.0 billion of ten-year 4.0% fixed rate U.S. Dollar Notes, using net proceeds from these Notes for incremental pension and postretirement benefit plan contributions and to retire a portion of its commercial paper. The effective interest rate on these Notes, reflecting issuance discount, hedge settlement and interest rate swaps, was 2.98% at January 2, 2016. In March 2014, the Company redeemed $150 million of the Notes. In connection with the debt redemption, the Company incurred $12 million of interest expense offset by $7 million of accelerated gains on interest rate swaps previously recorded in accumulated other comprehensive income, and incurred $1 million expense, recorded in Other Income, Expense (net), related to acceleration of fees on the redeemed debt and fees related to the tender offer. The Company entered into interest rate swaps in 2013 and 2014 with notional amounts totaling $400 million and $300 million , respectively, which effectively converted a portion of these Notes from a fixed rate to a floating rate obligation. These derivative instruments were designated as fair value hedges of the debt obligation. During 2015, the Company entered into and terminated a series of interest rate swaps and as of January 2, 2016 had terminated all interest rate swaps. The $14 million gain on termination at January 2, 2016 will be amortized to interest expense over the remaining term of the Notes. The fair value adjustment for the interest rate swaps was $3 million, at January 3, 2015, and was recorded as a decrease in the hedged debt balance.

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(g) In November 2009, the Company issued $500 million of ten-year 4.15% fixed rate U.S. Dollar Notes, using net proceeds from these Notes to retire a portion of its 6.6% U.S. Dollar Notes due 2011. The effective interest rate on these Notes, reflecting issuance discount, hedge settlement and interest rate swaps was 3.52% at January 2, 2016. In 2012, the Company entered into interest rate swaps which effectively converted these Notes from a fixed rate to a floating rate obligation. These derivative instruments were designated as fair value hedges of the debt obligation. During 2015, the Company entered into and terminated a series of interest rate swaps and as of January 2, 2016 had terminated all interest rate swaps. The $15 million gain on termination at January 2, 2016 will be amortized to interest expense over the remaining term of the Notes. The fair value adjustment for the interest rate swaps was $2 million at January 3, 2015, and was recorded as a decrease in the hedged debt balance.

(h) In May 2011, the Company issued $400 million of seven-year 3.25% fixed rate U.S. Dollar Notes, using net proceeds from these Notes for general corporate purposes including repayment of a portion of its commercial paper. The effective interest rate on these Notes, reflecting issuance discount, hedge settlement and interest rate swaps, was 2.52% at January 2, 2016. In 2011, the Company entered into interest rate swaps which effectively converted these Notes from a fixed rate to a floating rate obligation. These derivative instruments were designated as fair value hedges of the debt obligation. During 2013, the Company terminated all of the interest rate swaps and subsequently entered into interest rate swaps which effectively converted these Notes from a fixed rate to a floating rate obligation. These derivative instruments were designated as fair value hedges of the debt obligation. During 2015, the Company terminated all interest rate swaps, and the resulting unamortized gain of $12 million at January 2, 2016 will be amortized to interest expense over the remaining term of the Notes. The fair value adjustment for the interest rate swaps was $3 million at January 3, 2015, and was recorded as a decrease in the hedged debt balance.

(i) In May 2014, the Company issued Cdn. $300 million (approximately $217 million USD at January 2, 2016, which reflects the discount and translation adjustments) of three-year 2.05% Canadian Dollar Notes due 2017, using the proceeds from these Notes, together with cash on hand, to repay the Company's Cdn. $300 million, 2.10% Notes due 2014 at maturity. The effective interest rate on the Notes, reflecting issuance discount and hedge settlement, was 2.10% .

(j) In May 2012, the Company issued $400 million of five-year 1.75% U.S. Dollar Notes, using net proceeds from these Notes for general corporate purposes, including financing a portion of the acquisition of Pringles. The effective interest rate on these Notes, reflecting issuance discount and interest rate swaps, was 1.71% at January 2, 2016. In 2013, the Company entered into interest rate swaps with notional amounts totaling $400 million, which effectively converted the Notes from a fixed rate to a floating rate obligation. These derivative instruments were designated as fair value hedges of the debt obligation. During 2015, the Company terminated all interest rate swaps, and the resulting unamortized gain of $1 million at January 2, 2016 will be amortized to interest expense over the remaining term of the Notes. The fair value adjustment for the interest rate swaps was $3 million, at January 3, 2015, and was recorded as a decrease in the hedged debt balance.

(k) In November 2011, the Company issued $500 million of five-year 1.875% fixed rate U.S. Dollar Notes, using net proceeds from these Notes for general corporate purposes including repayment of a portion of its commercial paper. The effective interest rate on these Notes, reflecting issuance discount, hedge settlement and interest rate swaps was 1.63% at January 2, 2016. In 2012, the Company entered into interest rate swaps which effectively converted these Notes from a fixed rate to a floating rate obligation. These derivative instruments were designated as fair value hedges of the debt obligation. In 2013, the Company terminated all of the interest rate swaps and subsequently entered into interest rate swaps which effectively converted these Notes from a fixed rate to a floating rate obligation. These derivative instruments were designated as fair value hedges of the debt obligation. In 2014, the Company terminated all of the interest rate swaps. The unamortized gain of $2 million at January 2, 2016 will be amortized to interest expense over the remaining term of the Notes.

(l) In May 2009, the Company issued $750 million of seven-year 4.45% fixed rate U.S. Dollar Notes, using net proceeds from these Notes to retire a portion of its commercial paper. The effective interest rate on these Notes, reflecting issuance discount, hedge settlement and interest rate swaps was 4.10% at January 2, 2016. The Company entered into interest rate swaps in 2011 and 2012 with notional amounts totaling $200 million and $550 million, respectively, which effectively converted these Notes from a fixed rate to a floating rate obligation. These derivative instruments were designated as fair value hedges of the debt obligation. In 2013, the Company terminated all of the interest rate swaps. The unamortized gain of $3 million at January 2, 2016 will be amortized to interest expense over the remaining term of the Notes.

(m) In May 2012, the Company issued $350 million of three-year 1.125% U.S. Dollar Notes, using net proceeds from these Notes for general corporate purposes, including financing a portion of the acquisition of Pringles. The effective interest rate on these Notes, reflecting issuance discount, was 1.16%. The Company redeemed these Notes in May 2015.

(n) In February 2013, the Company issued $250 million of floating-rate U.S. Dollar Notes bearing interest at LIBOR plus 0.23% due February 2015. The proceeds from these Notes were used for general corporate purposes, including, together with cash on hand, to repay a portion the Company's $750 million 4.25% U.S. Dollar Notes that matured in March 2013. The Company redeemed these Notes in February 2015.

All of the Company's Notes contain customary covenants that limit the ability of the Company and its restricted subsidiaries (as defined) to incur certain liens or enter into certain sale and lease-back transactions and also contain a change of control provision.

The Company and two of its subsidiaries (the Issuers) maintain a program under which the Issuers may issue euro-commercial paper notes up to a maximum aggregate amount outstanding at any time of $750 million or its equivalent in alternative currencies. The notes may have maturities ranging up to 364 days and will be senior unsecured obligations of the applicable Issuer. Notes issued by subsidiary Issuers will be guaranteed by the Company. The notes may be issued at a discount or may bear fixed or floating rate interest or a coupon calculated by reference to an index or formula. There was $261 million and $96 million outstanding under this program as of January 2, 2016 and January 3, 2015, respectively.

At January 2, 2016, the Company had $2.3 billion of short-term lines of credit, virtually all of which were unused and available for borrowing on an unsecured basis. These lines were comprised principally of an unsecured Five-Year Credit Agreement, which the Company entered into in February 2014 and expires in 2019, replacing the Company's unsecured Four-year Credit Agreement, which would have expired in March 2015. The Five-Year Credit Agreement

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allows the Company to borrow, on a revolving credit basis, up to $2.0 billion, which includes the ability to obtain letters of credit in an aggregate stated amount up to $75 million and swingline loans in aggregate principal amounts up to $200 million in U.S. Dollars and $400 million in Euros. The agreement contains customary covenants and warranties, including specified restrictions on indebtedness, liens and a specified interest coverage ratio. If an event of default occurs, then, to the extent permitted, the administrative agent may terminate the commitments under the credit facility, accelerate any outstanding loans under the agreement, and demand the deposit of cash collateral equal to the lender's letter of credit exposure plus interest.

The Company was in compliance with all covenants as of January 2, 2016.

Scheduled principal repayments on long-term debt are (in millions): 2016–$1,262; 2017–$627; 2018–$407; 2019–$506; 2020–$851; 2021 and beyond–$2,864.

Interest expense capitalized as part of the construction cost of fixed assets was (in millions): 2015–$4; 2014–$5; 2013–$2.

NOTE 8
STOCK COMPENSATION

The Company uses various equity-based compensation programs to provide long-term performance incentives for its global workforce. Currently, these incentives consist principally of stock options, restricted stock units and, to a lesser extent, executive performance shares and restricted stock grants. During 2015, the Company changed the mix of equity compensation, awarding an increasing number of restricted stock units and fewer stock option awards. The Company also sponsors a discounted stock purchase plan in the United States and matching-grant programs in several international locations. Additionally, the Company awards restricted stock to its outside directors. These awards are administered through several plans, as described within this Note.

The 2013 Long-Term Incentive Plan (2013 Plan), approved by shareholders in 2013, permits awards to employees and officers in the form of incentive and non-qualified stock options, performance units, restricted stock or restricted stock units, and stock appreciation rights. The 2013 Plan, which replaced the 2009 Long-Term Incentive Plan (2009 Plan), authorizes the issuance of a total of (a) 22 million shares; plus (b) the total number of shares remaining available for future grants under the 2009 Plan. The total number of shares remaining available for issuance under the 2013 Plan will be reduced by two shares for each share issued pursuant to an award under the 2013 Plan other than a stock option or stock appreciation right, or potentially issuable pursuant to an outstanding award other than a stock option or stock appreciation right, which will in each case reduce the total number of shares remaining by one share for each share issued. The 2013 Plan includes several limitations on awards or payments to individual participants. Options granted under the 2013 and 2009 Plans generally vest over three years. At January 2, 2016, there were 16 million remaining authorized, but unissued, shares under the 2013 Plan.

The Non-Employee Director Stock Plan (2009 Director Plan) was approved by shareholders in 2009 and
allows each eligible non-employee director to receive shares of the Company's common stock annually. The number of shares granted pursuant to each annual award will be determined by the Nominating and Governance Committee of the Board of Directors. The 2009 Director Plan, which replaced the 2000 Non-Employee Director Stock Plan (2000 Director Plan), reserves 500,000 shares for issuance, plus the total number of shares as to which awards granted under the 2009 Director Plan or the 2000 Director Plans expire or are forfeited, terminated or settled in cash. Under both the 2009 and 2000 Director Plans, shares (other than stock options) are placed in the Kellogg Company Grantor Trust for Non-Employee Directors (the Grantor Trust). Under the terms of the Grantor Trust, shares are available to a director only upon termination of service on the Board. Under the 2009 Director Plan, awards were as follows (number of shares): 2015-26,877; 2014-23,890; 2013-26,504.

The 2002 Employee Stock Purchase Plan was approved by shareholders in 2002 and permits eligible employees to purchase Company stock at a discounted price. This plan allows for a maximum of 2.5 million shares of Company stock to be issued at a purchase price equal to 95% of the fair market value of the stock on the last day of the quarterly purchase period. Total purchases through this plan for any employee are limited to a fair market value of $25,000 during any calendar year. At January 2, 2016, there were approximately 0.3 million remaining authorized, but unissued, shares under this plan. Shares were purchased by employees under this plan as follows (approximate number of shares): 2015–73,000; 2014–75,000; 2013–85,000. Options granted to employees to purchase discounted stock under this plan are included in the option activity tables within this note.

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Additionally, an international subsidiary of the Company maintains a stock purchase plan for its employees. Subject to limitations, employee contributions to this plan are matched 1:1 by the Company. Under this plan, shares were granted by the Company to match an equal number of shares purchased by employees as follows (approximate number of shares): 2015–48,000; 2014–58,000; 2013–58,000.

Compensation expense for all types of equity-based programs and the related income tax benefit recognized were as follows:

(millions)	**2015**	2014	2013
Pre-tax compensation expense	**$ 55**	$ 41	$ 38
Related income tax benefit	**$ 20**	$ 15	$ 14

As of January 2, 2016, total stock-based compensation cost related to non-vested awards not yet recognized was $62 million and the weighted-average period over which this amount is expected to be recognized was 2 years.

Cash flows realized upon exercise or vesting of stock-based awards in the periods presented are included in the following table. Tax benefits realized upon exercise or vesting of stock-based awards generally represent the tax benefit of the difference between the exercise price and the strike price of the option.

Cash used by the Company to settle equity instruments granted under stock-based awards was insignificant.

(millions)	**2015**	2014	2013
Total cash received from option exercises and similar instruments	**$ 261**	$ 217	$ 475
Tax benefits realized upon exercise or vesting of stock-based awards:			
Windfall benefits classified as financing cash flow	**$ 14**	$ 11	$ 24

Shares used to satisfy stock-based awards are normally issued out of treasury stock, although management is authorized to issue new shares to the extent permitted by respective plan provisions. Refer to Note 5 for information on shares issued during the periods presented to employees and directors under various long-term incentive plans and share repurchases under the Company's stock repurchase authorizations. The Company does not currently have a policy of repurchasing a specified number of shares issued under employee benefit programs during any particular time period.

Stock options

During the periods presented, non-qualified stock options were granted to eligible employees under the 2013 and 2009 Plans with exercise prices equal to the fair market value of the Company's stock on the grant date, a contractual term of ten years, and a three-year graded vesting period.

Management estimates the fair value of each annual stock option award on the date of grant using a lattice-based option valuation model. Composite assumptions are presented in the following table. Weighted-average values are disclosed for certain inputs which incorporate a range of assumptions. Expected volatilities are based principally on historical volatility of the Company's stock, and to a lesser extent, on implied volatilities from traded options on the Company's stock. Historical volatility corresponds to the contractual term of the options granted. The Company uses historical data to estimate option exercise and employee termination within the valuation models; separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected term of options granted represents the period of time that options granted are expected to be outstanding; the weighted-average expected term for all employee groups is presented in the following table. The risk-free rate for periods within the contractual life of the options is based on the U.S. Treasury yield curve in effect at the time of grant.

Stock option valuation model assumptions for grants within the year ended:	**2015**	2014	2013
Weighted-average expected volatility	**16.00%**	15.00%	15.00%
Weighted-average expected term (years)	**6.87**	7.34	7.44
Weighted-average risk-free interest rate	**1.98%**	2.35%	1.49%
Dividend yield	**3.00%**	3.00%	2.90%
Weighted-average fair value of options granted	**$ 7.21**	$ 6.70	$ 5.92

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A summary of option activity for the year ended January 2, 2016 is presented in the following table:

Employee and director stock options	Shares (millions)	Weighted-average exercise price	Weighted-average remaining contractual term (yrs.)	Aggregate intrinsic value (millions)
Outstanding, beginning of year	**21**	**$ 56**		
Granted	**3**	**64**		
Exercised	**(5)**	**53**		
Forfeitures and expirations	**—**	**60**		
Outstanding, end of year	**19**	**$ 58**	**6.9**	**$ 264**
Exercisable, end of year	**10**	**$ 55**	**5.9**	**$ 180**

Additionally, option activity for the comparable prior year periods is presented in the following table:

(millions, except per share data)	2014	2013
Outstanding, beginning of year	20	25
Granted	6	6
Exercised	(4)	(10)
Forfeitures and expirations	(1)	(1)
Outstanding, end of year	21	20
Exercisable, end of year	10	9
Weighted-average exercise price:		
Outstanding, beginning of year	$ 54	$ 50
Granted	60	60
Exercised	50	48
Forfeitures and expirations	58	55
Outstanding, end of year	$ 56	$ 54
Exercisable, end of year	$ 53	$ 50

The total intrinsic value of options exercised during the periods presented was (in millions): 2015–$65; 2014–$56; 2013–$139.

Other stock-based awards

During the periods presented, other stock-based awards consisted principally of executive performance shares and restricted stock granted under the 2013 and 2009 Plans.

In the first quarter of 2015, the Company granted performance shares to a limited number of senior executive-level employees, which entitle these employees to receive a specified number of shares of the Company's common stock upon vesting. The number of shares earned could range between 0 and 200% of the target amount depending upon performance achieved over the three year vesting period. The performance conditions of the award include three-year cumulative operating cash flow (CCF) and total shareholder return (TSR) of the Company's common stock relative to a select group of peer companies.

A Monte Carlo valuation was used to determine the fair value of the awards. The TSR performance metric is a market condition. Therefore, compensation cost of the TSR condition is fixed at the measurement date and is not revised based on actual performance. The TSR metric was valued as a multiplier of possible levels of CCF achievement. Compensation cost related to CCF performance is revised for changes in the expected outcome. The 2015 target grant currently corresponds to approximately 172,000 shares, with a grant-date fair value of $58 per share.

In 2014 and 2013, the Company made performance share awards to a limited number of senior executive-level employees, which entitles these employees to receive a specified number of shares of the Company's common stock on the vesting date, provided cumulative three-year targets are achieved. The cumulative three-year targets involved operating profit and comparable net sales growth. Management estimates the fair value of performance share awards based on the market price of the underlying stock on the date of grant, reduced by the present value of estimated dividends foregone during the performance period. The 2014 and 2013 target grants (as revised for non-vested forfeitures and other adjustments) currently correspond to approximately 202,000 and 185,000 shares, respectively, with a grant-date fair value of $54 and $54 per share. The actual number of shares issued on the vesting date could range from 0 to 200% of target, depending on actual performance achieved.

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Based on the market price of the Company's common stock at year-end 2015, the maximum future value that could be awarded on the vesting date was (in millions): 2015 award–$25; 2014 award–$29; and 2013 award–$27. The 2012 performance share award, payable in stock, was settled at 35% of target in February 2015 for a total dollar equivalent of $3 million.

The Company also grants restricted stock and restricted stock units to eligible employees under the 2013 Plan. Restrictions with respect to sale or transferability generally lapse after three years and, in the case of restricted stock, the grantee is normally entitled to receive shareholder dividends during the vesting period. Management estimates the fair value of restricted stock grants based on the market price of the underlying stock on the date of grant. A summary of restricted stock and restricted stock unit activity for the year ended January 2, 2016, is presented in the following table:

Employee restricted stock and restricted stock units	Shares (thousands)	Weighted-average grant-date fair value
Non-vested, beginning of year	346	$ 54
Granted	617	59
Vested	(113)	50
Forfeited	(44)	58
Non-vested, end of year	806	$ 57

Additionally, restricted stock and restricted stock unit activity for 2014 and 2013 is presented in the following table:

Employee restricted stock and restricted stock units	2014	2013
Shares (in thousands):		
Non-vested, beginning of year	318	316
Granted	114	139
Vested	(65)	(117)
Forfeited	(21)	(20)
Non-vested, end of year	346	318
Weighted-average exercise price:		
Non-vested, beginning of year	$ 52	$ 50
Granted	56	52
Vested	51	51
Forfeited	53	47
Non-vested, end of year	$ 54	$ 52

The total fair value of restricted stock and restricted stock units vesting in the periods presented was (in millions): 2015–$7; 2014–$4; 2013–$6.

NOTE 9
PENSION BENEFITS

The Company sponsors a number of U.S. and foreign pension plans to provide retirement benefits for its employees. The majority of these plans are funded or unfunded defined benefit plans, although the Company does participate in a limited number of multiemployer or other defined contribution plans for certain employee groups. See Note 11 for more information regarding the Company's participation in multiemployer plans. Defined benefits for salaried employees are generally based on salary and years of service, while union employee benefits are generally a negotiated amount for each year of service. Beginning in 2015, the Company used a December 31 measurement date for these plans and, when necessary, adjusts for plan contributions and significant events between December 31 and its fiscal year-end.

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Obligations and funded status

The aggregate change in projected benefit obligation, plan assets, and funded status is presented in the following tables.

(millions)	2015	2014
Change in projected benefit obligation		
Beginning of year	**$ 5,570**	$ 4,888
Service cost	**114**	106
Interest cost	**206**	225
Plan participants' contributions	**2**	2
Amendments	**25**	4
Actuarial (gain)loss	**(191)**	754
Benefits paid	**(262)**	(281)
Curtailment and special termination benefits	**(2)**	—
Other	**4**	3
Foreign currency adjustments	**(150)**	(131)
End of year	**$ 5,316**	$ 5,570
Change in plan assets		
Fair value beginning of year	**$ 5,028**	$ 5,014
Actual return on plan assets	**(102)**	390
Employer contributions	**19**	37
Plan participants' contributions	**2**	2
Benefits paid	**(235)**	(261)
Other	**4**	3
Foreign currency adjustments	**(132)**	(157)
Fair value end of year	**$ 4,584**	$ 5,028
Funded status	**$ (732)**	$ (542)
Amounts recognized in the Consolidated Balance Sheet consist of		
Other assets	**$ 231**	$ 250
Other current liabilities	**(17)**	(15)
Other liabilities	**(946)**	(777)
Net amount recognized	**$ (732)**	$ (542)
Amounts recognized in accumulated other comprehensive income consist of		
Prior service cost	**$ 67**	$ 59
Net amount recognized	**$ 67**	$ 59

The accumulated benefit obligation for all defined benefit pension plans was $4.9 billion and $5.1 billion at January 2, 2016 and January 3, 2015, respectively. Information for pension plans with accumulated benefit obligations in excess of plan assets were:

(millions)	2015	2014
Projected benefit obligation	**$ 3,769**	$ 3,958
Accumulated benefit obligation	**$ 3,574**	$ 3,683
Fair value of plan assets	**$ 2,835**	$ 3,179

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Expense

The components of pension expense are presented in the following table. Pension expense for defined contribution plans relates to certain foreign-based defined contribution plans and multiemployer plans in the United States in which the Company participates on behalf of certain unionized workforces.

(millions)	**2015**	2014	2013
Service cost	**$ 114**	$ 106	$ 133
Interest cost	**206**	225	203
Expected return on plan assets	**(399)**	(415)	(359)
Amortization of unrecognized prior service cost	**13**	14	16
Recognized net (gain)loss	**303**	782	(854)
Curtailment and special termination benefits	**(1)**	4	34
Pension (income)expense:			
Defined benefit plans	**236**	716	(827)
Defined contribution plans	**40**	36	35
Total	**$ 276**	$ 752	$ (792)

The estimated prior service cost for defined benefit pension plans that will be amortized from accumulated other comprehensive income into pension expense over the next fiscal year is approximately $13 million.

The Company and certain of its subsidiaries sponsor 401(k) or similar savings plans for active employees. Expense related to these plans was (in millions): 2015 – $40 million; 2014 – $43 million; 2013 – $41 million. These amounts are not included in the preceding expense table. Company contributions to these savings plans approximate annual expense. Company contributions to multiemployer and other defined contribution pension plans approximate the amount of annual expense presented in the preceding table.

Assumptions

The worldwide weighted-average actuarial assumptions used to determine benefit obligations were:

	2015	2014	2013
Discount rate	**4.1%**	3.9%	4.7%
Long-term rate of compensation increase	**3.9%**	4.0%	4.1%

The worldwide weighted-average actuarial assumptions used to determine annual net periodic benefit cost were:

	2015	2014	2013
Discount rate	**3.9%**	4.7%	4.1%
Long-term rate of compensation increase	**4.0%**	4.1%	4.1%
Long-term rate of return on plan assets	**8.3%**	8.5%	8.5%

To determine the overall expected long-term rate of return on plan assets, the Company models expected returns over a 20-year investment horizon with respect to the specific investment mix of its major plans. The return assumptions used reflect a combination of rigorous historical performance analysis and forward-looking views of the financial markets including consideration of current yields on long-term bonds, price-earnings ratios of the major stock market indices, and long-term inflation. The U.S. model, which corresponds to approximately 68% of consolidated pension and other postretirement benefit plan assets, incorporates a long-term inflation assumption of 2.5% and an active management premium of 1% (net of fees) validated by historical analysis. Similar methods are used for various foreign plans with invested assets, reflecting local economic conditions. The expected rate of return for 2015 of 8.5% equated to approximately the 57th percentile expectation. Refer to Note 1.

At the end of 2014, the Company revised their mortality assumption after considering the Society of Actuaries' (SOA) updated mortality tables and improvement scale, as well as other mortality information available from the Social Security Administration to develop assumptions aligned with the Company's expectation of future improvement rates. In determining the appropriate mortality assumptions as of January 2, 2016, the Company considered the SOA's 2015 updated improvement scale and believes its assumption is appropriate.

To conduct the annual review of discount rates, the Company selected the discount rate based on a cash-flow matching analysis using Towers Watson's proprietary RATE:Link tool and projections of the future benefit payments that constitute the projected benefit obligation for the plans. RATE:Link establishes the uniform discount rate that produces the same present value of the estimated future benefit payments, as is generated by discounting each

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year's benefit payments by a spot rate applicable to that year. The spot rates used in this process are derived from a yield curve created from yields on the 40th to 90th percentile of U.S. high quality bonds. A similar methodology is applied in Canada and Europe, except the smaller bond markets imply that yields between the 10th and 90th percentiles are preferable. The measurement dates for the defined benefit plans are consistent with the Company's fiscal year end. Accordingly, the Company selected discount rates to measure the benefit obligations consistent with market indices at year-end.

Beginning in 2016, the Company will change the method used to estimate the service and interest costs for pension and postretirement benefits. The new method utilizes a full yield curve approach to estimate service and interest costs by applying specific spot rates along the yield curve used to determine the benefit obligation of relevant projected cash outflows. Historically, the Company utilized a single weighted-average discount rate applied to projected cash outflows. The Company made the change to provide a more precise measurement of service and interest costs by aligning the timing of the plan's liability cash flows to the corresponding spot rate on the yield curve. The change does not impact the measurement of the plan's obligations. The Company has accounted for this change as a change in accounting estimate.

Plan assets

The Company categorized Plan assets within a three level fair value hierarchy described as follows:

Investments stated at fair value as determined by quoted market prices (Level 1) include:

Cash and cash equivalents: Value based on cost, which approximates fair value.

Corporate stock, common: Value based on the last sales price on the primary exchange.

Investments stated at estimated fair value using significant observable inputs (Level 2) include:

Cash and cash equivalents: Institutional short-term investment vehicles valued daily.

Mutual funds: Valued at the net asset value of shares held by the Plan at year end.

Collective trusts: Value based on the net asset value of units held at year end.

Bonds: Value based on matrices or models from pricing vendors.

Limited partnerships: Value based on the ending net capital account balance at year end.

Investments stated at estimated fair value using significant unobservable inputs (Level 3) include:

Real estate: Value based on the net asset value of units held at year end. The fair value of real estate holdings is based on market data including earnings capitalization, discounted cash flow analysis, comparable sales transactions or a combination of these methods.

Buy-in annuity contracts: Value based on the calculated pension benefit obligation covered by the non-participating annuity contracts at year-end.

Bonds: Value based on matrices or models from brokerage firms. A limited number of the investments are in default.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Company's practice regarding the timing of transfers between levels is to measure transfers in at the beginning of the month and transfers out at the end of the month. For the year ended January 2, 2016, the Company had no transfers between Levels 1 and 2.

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The fair value of Plan assets as of January 2, 2016 summarized by level within the fair value hierarchy are as follows:

(millions)	Total Level 1	Total Level 2	Total Level 3	Total
Cash and cash equivalents	$ 83	$ 8	$ —	$ 91
Corporate stock, common:				
Domestic	608	—	—	608
International	109	—	—	109
Mutual funds:				
International equity	—	441	—	441
Collective trusts:				
Domestic equity	—	411	—	411
International equity	—	1,130	—	1,130
Eurozone sovereign debt	—	10	—	10
Other international debt	—	368	—	368
Limited partnerships	—	455	—	455
Bonds, corporate	—	419	—	419
Bonds, government	—	157	—	157
Bonds, other	—	49	—	49
Buy-in annuity contract	—	—	135	135
Real estate	—	—	135	135
Other	—	60	6	66
Total	$ 800	$ 3,508	$ 276	$ 4,584

The fair value of Plan assets at January 3, 2015 are summarized as follows:

(millions)	Total Level 1	Total Level 2	Total Level 3	Total
Cash and cash equivalents	$ 47	$ 44	$ —	$ 91
Corporate stock, common:				
Domestic	556	—	—	556
International	161	—	—	161
Mutual funds:				
International equity	—	393	—	393
International debt	—	—	—	—
Collective trusts:				
Domestic equity	—	594	—	594
International equity	—	1,261	—	1,261
Eurozone sovereign debt	—	11	—	11
Other international debt	—	534	—	534
Limited partnerships	—	475	—	475
Bonds, corporate	—	519	—	519
Bonds, government	—	172	—	172
Bonds, other	—	59	—	59
Real estate	—	—	130	130
Other	—	64	8	72
Total	$ 764	$ 4,126	$ 138	$ 5,028

There were no unfunded commitments to purchase investments at January 2, 2016 or January 3, 2015.

The Company's investment strategy for its major defined benefit plans is to maintain a diversified portfolio of asset classes with the primary goal of meeting long-term cash requirements as they become due. Assets are invested in a prudent manner to maintain the security of funds while maximizing returns within the Plan's investment policy. The investment policy specifies the type of investment vehicles appropriate for the Plan, asset allocation guidelines, criteria for the selection of investment managers, procedures to monitor overall investment performance as well as investment manager performance. It also provides guidelines enabling Plan fiduciaries to fulfill their responsibilities.

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The current weighted-average target asset allocation reflected by this strategy is: equity securities–66%; debt securities–21%; real estate and other–13%. Investment in Company common stock represented 1.4% and 1.3% of consolidated plan assets at January 2, 2016 and January 3, 2015, respectively. Plan funding strategies are influenced by tax regulations and funding requirements. The Company currently expects to contribute approximately $28 million to its defined benefit pension plans during 2016.

Level 3 gains and losses

Changes in the fair value of the Plan's Level 3 assets are summarized as follows:

(millions)	Bonds, corporate	Real estate	Buy-in Annuity Contract	Other	Total
December 28, 2013	$ 1	$ 125	—	$ 8	$ 134
Sales	(1)	(1)	—	—	(2)
Realized and unrealized gain	—	23	—	—	23
Currency translation	—	(17)	—	—	(17)
January 3, 2015	$ —	$ 130	$ —	$ 8	$ 138
Sales	—	(5)	—	(3)	(8)
Purchases	—	—	135	3	138
Realized and unrealized gain	—	16	—	(1)	15
Currency translation	—	(6)	—	(1)	(7)
January 2, 2016	**$ —**	**$ 135**	**$ 135**	**$ 6**	**$ 276**

The net change in Level 3 assets includes a gain attributable to the change in unrealized holding gains or losses related to Level 3 assets held at January 2, 2016 and January 3, 2015 totaling $15 million and $23 million, respectively.

Benefit payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in millions): 2016–$416; 2017–$238; 2018–$243; 2019–$254; 2020–$265; 2021 to 2025–$1,501.

NOTE 10
NONPENSION POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS

Postretirement

The Company sponsors a number of plans to provide health care and other welfare benefits to retired employees in the United States and Canada, who have met certain age and service requirements. The majority of these plans are funded or unfunded defined benefit plans, although the Company does participate in a limited number of multiemployer or other defined contribution plans for certain employee groups. The Company contributes to voluntary employee benefit association (VEBA) trusts to fund certain U.S. retiree health and welfare benefit obligations. Beginning in 2015, the Company used a December 31 measurement date for these plans and, when necessary, adjusts for plan contributions and significant events between December 31 and its fiscal year-end.

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Obligations and funded status

The aggregate change in accumulated postretirement benefit obligation, plan assets, and funded status is presented in the following tables.

(millions)		2015		2014
Change in accumulated benefit obligation				
Beginning of year	**$**	**1,288**	$	1,202
Service cost		**29**		28
Interest cost		**48**		55
Actuarial (gain) loss		**(53)**		116
Benefits paid		**(57)**		(62)
Curtailments		**—**		(28)
Amendments		**(84)**		(18)
Foreign currency adjustments		**(8)**		(5)
End of year	**$**	**1,163**	$	1,288
Change in plan assets				
Fair value beginning of year	**$**	**1,204**	$	1,178
Actual return on plan assets		**(65)**		81
Employer contributions		**14**		16
Benefits paid		**(69)**		(71)
Fair value end of year	**$**	**1,084**	$	1,204
Funded status	**$**	**(79)**	$	(84)
Amounts recognized in the Consolidated Balance Sheet consist of				
Other non-current assets	**$**	**—**	$	—
Other current liabilities		**(2)**		(2)
Other liabilities		**(77)**		(82)
Net amount recognized	**$**	**(79)**	$	(84)
Amounts recognized in accumulated other comprehensive income consist of				
Prior service credit		**(95)**		(16)
Net amount recognized	**$**	**(95)**	$	(16)

Expense

Components of postretirement benefit expense (income) were:

(millions)		2015		2014		2013
Service cost	**$**	**29**	$	28	$	34
Interest cost		**48**		55		50
Expected return on plan assets		**(100)**		(98)		(86)
Amortization of unrecognized prior service credit		**(5)**		(3)		(3)
Recognized net (gain) loss		**112**		133		(247)
Curtailment		**—**		(28)		1
Postretirement benefit expense:						
Defined benefit plans		**84**		87		(251)
Defined contribution plans		**14**		14		13
Total	**$**	**98**	$	101	$	(238)

The estimated prior service credit that will be amortized from accumulated other comprehensive income into nonpension postretirement benefit expense over the next fiscal year is expected to be approximately $9 million.

Assumptions

The weighted-average actuarial assumptions used to determine benefit obligations were:

	2015	2014	2013
Discount rate	**4.2%**	4.0%	4.8%

The weighted-average actuarial assumptions used to determine annual net periodic benefit cost were:

	2015	2014	2013
Discount rate	**4.0%**	4.8%	3.9%
Long-term rate of return on plan assets	**8.5%**	8.5%	8.5%

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The Company determines the overall discount rate and expected long-term rate of return on VEBA trust obligations and assets in the same manner as that described for pension trusts in Note 9.

The assumed health care cost trend rate is 5.0% for 2016, decreasing gradually to 4.5% by the year 2018 and remaining at that level thereafter. These trend rates reflect the Company's historical experience and management's expectations regarding future trends. A one percentage point change in assumed health care cost trend rates would have the following effects:

(millions)	One percentage point increase	One percentage point decrease
Effect on total of service and interest cost components	$ 4	$ (3)
Effect on postretirement benefit obligation	89	(72)

Plan assets

The fair value of Plan assets as of January 2, 2016 summarized by level within fair value hierarchy described in Note 9, are as follows:

(millions)	Total Level 1	Total Level 2	Total Level 3	Total
Cash and cash equivalents	$ 9	$ 13	$ —	$ 22
Corporate stock, common:				
Domestic	195	—	—	195
International	5	—	—	5
Mutual funds:				
Domestic equity	—	52	—	52
International equity	—	111	—	111
Domestic debt	—	54	—	54
Collective trusts:				
Domestic equity	—	150	—	150
International equity	—	148	—	148
Limited partnerships	—	166	—	166
Bonds, corporate	—	120	—	120
Bonds, government	—	48	—	48
Bonds, other	—	12	—	12
Other	—	1	—	1
Total	$ 209	$ 875	$ —	$ 1,084

The fair value of Plan assets at January 3, 2015 are summarized as follows:

(millions)	Total Level 1	Total Level 2	Total Level 3	Total
Cash and cash equivalents	$ 6	$ 27	$ —	$ 33
Corporate stock, common:				
Domestic	214	—	—	214
International	17	—	—	17
Mutual funds:				
Domestic equity	—	153	—	153
International equity	—	120	—	120
Domestic debt	—	63	—	63
Collective trusts:				
Domestic equity	—	53	—	53
International equity	—	164	—	164
Limited partnerships	—	174	—	174
Bonds, corporate	—	141	—	141
Bonds, government	—	54	—	54
Bonds, other	—	17	—	17
Other	—	1	—	1
Total	$ 237	$ 967	$ —	$ 1,204

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The Company's asset investment strategy for its VEBA trusts is consistent with that described for its pension trusts in Note 9. The current target asset allocation is 75% equity securities and 25% debt securities. The Company currently expects to contribute approximately $15 million to its VEBA trusts during 2016.

There were no Level 3 assets during 2015 and 2014.

Postemployment

Under certain conditions, the Company provides benefits to former or inactive employees, including salary continuance, severance, and long-term disability, in the United States and several foreign locations. The Company's postemployment benefit plans are unfunded. Actuarial assumptions used are generally consistent with those presented for pension benefits in Note 9. The aggregate change in accumulated postemployment benefit obligation and the net amount recognized were:

(millions)		**2015**		2014
Change in accumulated benefit obligation				
Beginning of year	**$**	**104**	$	87
Service cost		**7**		7
Interest cost		**4**		4
Actuarial (gain)loss		**—**		8
Benefits paid		**(6)**		(9)
Amendments		**—**		8
Foreign currency adjustments		**(1)**		(1)
End of year	**$**	**108**	$	104
Funded status	**$**	**(108)**	$	(104)
Amounts recognized in the Consolidated Balance Sheet consist of				
Other current liabilities	**$**	**(8)**	$	(8)
Other liabilities		**(100)**		(96)
Net amount recognized	**$**	**(108)**	$	(104)
Amounts recognized in accumulated other comprehensive income consist of				
Net prior service cost	**$**	**6**	$	7
Net experience loss		**27**		30
Net amount recognized	**$**	**33**	$	37

Components of postemployment benefit expense were:

(millions)		**2015**		2014		2013
Service cost	**$**	**7**	$	7	$	7
Interest cost		**4**		4		3
Amortization of unrecognized prior service cost		**1**		—		—
Recognized net loss		**3**		3		5
Postemployment benefit expense	**$**	**15**	$	14	$	15

The estimated net experience loss and net prior service cost that will be amortized from accumulated other comprehensive income into postemployment benefit expense over the next fiscal year is $3 million and $1 million, respectively.

Benefit payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

(millions)		Postretirement		Postemployment
2016	$	71	$	9
2017		72		8
2018		73		8
2019		73		8
2020		74		8
2021-2025		390		42

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NOTE 11
MULTIEMPLOYER PENSION AND POSTRETIREMENT PLANS

The Company contributes to multiemployer defined contribution pension and postretirement benefit plans under the terms of collective-bargaining agreements that cover certain unionized employee groups in the United States. Contributions to these plans are included in total pension and postretirement benefit expense as reported in Note 9 and Note 10, respectively.

Pension benefits

The risks of participating in multiemployer pension plans are different from single-employer plans. Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan are borne by the remaining participating employers.

The Company's participation in multiemployer pension plans for the year ended January 2, 2016, is outlined in the table below. The "EIN/PN" column provides the Employer Identification Number (EIN) and the three-digit plan number (PN). The most recent Pension Protection Act (PPA) zone status available for 2015 and 2014 is for the plan year-ends as indicated below. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are between 65 percent percent and 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. In addition to regular plan contributions, the Company may be subject to a surcharge if the plan is in the red zone. The "Surcharge Imposed" column indicates whether a surcharge has been imposed on contributions to the plan. The last column lists the expiration date(s) of the collective-bargaining agreement(s) (CBA) to which the plans are subject.

		PPA Zone Status			Contributions (millions)				
Pension trust fund	**EIN/PN**	**2015**	**2014**	**FIP/RP Status**	**2015**	**2014**	**2013**	**Surcharge Imposed**	**Expiration Date of CBA**
Bakery and Confectionary Union and Industry International Pension Fund (a)	52-6118572 / 001	Red - 12/31/2015	Red - 12/31/2014	Implemented	**$ 5.1**	$ 5.4	$ 5.2	Yes	7/31/2016 to 10/31/2017
Central States, Southeast and Southwest Areas Pension Fund (b)	36-6044243 / 001	Red - 12/31/2015	Red - 12/31/2014	Implemented	**4.8**	4.5	4.5	Yes	4/30/2016 to 7/31/2019
Western Conference of Teamsters Pension Trust (c)	91-6145047 / 001	Green - 12/31/2015	Green - 12/31/2014	NA	**1.6**	1.6	1.5	No	1/31/2018 to 10/31/2018
Hagerstown Motor Carriers and Teamsters Pension Fund	52-6045424 / 001	Red - 6/30/2016	Red - 6/30/2015	Implemented	**0.5**	0.5	0.5	No	9/28/2019
Local 734 Pension Plan	51-6040136 / 001	Red - 4/30/2016	Red - 4/30/2015	Implemented	**0.3**	0.3	0.3	Yes	4/1/2019
Twin Cities Bakery Drivers Pension Plan	41-6172265 / 001	Green - 12/31/2015	Green - 12/31/2014	NA	**0.2**	0.2	0.2	Yes	5/31/2018
Upstate New York Bakery Drivers and Industry Pension Fund	15-0612437 / 001	Green - 6/30/2015	Green - 6/30/2014	NA	**0.2**	0.2	0.1	No	9/10/2017
Other Plans					**2.0**	2.0	2.2		
Total contributions:					**$ 14.7**	$ 14.7	$ 14.5		

(a) The Company is party to multiple CBAs requiring contributions to this fund, each with its own expiration date. Over 70 percent of the Company's participants in this fund are covered by a single CBA that expires on 4/30/2017.

(b) The Company is party to multiple CBAs requiring contributions to this fund, each with its own expiration date. Over 40 percent of the Company's participants in this fund are covered by a single CBA that expires on 9/30/2018.

(c) The Company is party to multiple CBAs requiring contributions to this fund, each with its own expiration date. Over 40 percent of the Company's participants in this fund are covered by a single CBA that expires on 3/24/2018.

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The Company was listed in the Forms 5500 of the following plans as of the following plan year ends as providing more than 5 percent of total contributions:

Pension trust fund	Contributions to the plan exceeded more than 5% of total contributions (as of the Plan's year end)
Hagerstown Motor Carriers and Teamsters Pension Fund	6/30/2014, 6/30/2013 and 6/30/2012
Local 734 Pension Plan	4/30/2015, 4/30/2014 and 4/30/2013
Twin Cities Bakery Drivers Pension Plan	12/31/2014, 12/31/2013 and 12/31/2012
Upstate New York Bakery Drivers and Industry Pension Fund	6/30/15, 6/30/2014 and 6/30/2013

At the date the Company's financial statements were issued, certain Forms 5500 were not available for the plan years ending in 2015.

In addition to regular contributions, the Company could be obligated to pay additional amounts, known as a withdrawal liability, if a multiemployer pension plan has unfunded vested benefits and the Company decreases or ceases participation in that plan. The Company has recognized net estimated withdrawal expense related to curtailment and special termination benefits associated with the Company's withdrawal from certain multiemployer plans aggregating (in millions): 2015 – $(2); 2014 – $0; 2013 – $0.

Postretirement benefits

Multiemployer postretirement benefit plans provide health care and other welfare benefits to active and retired employees who have met certain age and service requirements. Contributions to multiemployer postretirement benefit plans were (in millions): 2015 – $14; 2014 – $14; 2013 – $13.

NOTE 12
INCOME TAXES

The components of income before income taxes and the provision for income taxes were as follows:

(millions)	2015	2014	2013
Income before income taxes			
United States	**$ 551**	$ 502	$ 2,102
Foreign	**222**	323	504
	773	825	2,606
Income taxes			
Currently payable			
Federal	**212**	301	302
State	**42**	36	68
Foreign	**74**	103	105
	328	440	475
Deferred			
Federal	**(136)**	(186)	331
State	**(14)**	(14)	(2)
Foreign	**(19)**	(54)	(12)
	(169)	(254)	317
Total income taxes	**$ 159**	$ 186	$ 792

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The difference between the U.S. federal statutory tax rate and the Company's effective income tax rate was:

	2015	2014	2013
U.S. statutory income tax rate	**35.0**	35.0 %	35.0 %
Foreign rates varying from 35%	**(9.6)**	(7.9)	(3.5)
State income taxes, net of federal benefit	**2.3**	1.7	1.7
Cost (benefit) of remitted and unremitted foreign earnings	**(4.4)**	(0.1)	(0.4)
U.S. deduction for qualified production activities	**(2.3)**	(2.8)	(0.9)
Statutory rate changes, deferred tax impact	**(0.8)**	(0.4)	(0.5)
VIE deconsolidation	**(2.3)**	—	—
Venezuela remeasurement	**5.0**	—	—
Other	**(2.3)**	(2.9)	(1.0)
Effective income tax rate	**20.6 %**	22.6 %	30.4 %

As presented in the preceding table, the Company's 2015 consolidated effective tax rate was 20.6%, as compared to 22.6% in 2014 and 30.4% in 2013.

The 2015 effective income tax rate benefited due to mark-to-market loss adjustments to the Company's pension plans in primarily higher tax jurisdictions. This results in a greater percentage of total income being generated in lower tax jurisdictions and permanent tax differences in the U.S. having a higher percentage impact on the tax rate. In addition, the tax rate benefited from a reduction in tax related to current year remitted and unremitted earnings. The VIE deconsolidation, described in Note 5, included a $67 million non-cash non-taxable gain which positively impacted the tax rate. During 2015, the Company recorded pre-tax charges of $112 million in the Latin America operating segment due to the devaluation of the Venezuelan currency which had no associated tax benefit. As of January 2, 2016 substantially all foreign earnings were considered permanently invested. Accumulated foreign earnings of approximately $2.0 billion, primarily in Europe, were considered indefinitely reinvested. Due to the varying tax laws around the world and fluctuation in foreign exchange rates, it is not practicable to determine the unrecognized deferred tax liability on these earnings because the actual tax liability, if any, would be dependent on circumstances existing when a repatriation, sale, or liquidation occurs.

The 2014 effective income tax rate benefited due to mark-to-market loss adjustments to the Company's pension plans in primarily higher tax jurisdictions. This results in a greater percentage of total income being generated in lower tax jurisdictions and permanent tax differences in the U.S. having a higher percentage impact on the tax rate. As of January 3, 2015, the Company recorded a deferred tax liability of $1 million related to $23 million of foreign earnings not considered indefinitely reinvested. Accumulated foreign earnings of approximately $2.2 billion, primarily in Europe, were considered indefinitely reinvested. Due to varying tax laws around the world and fluctuations in foreign exchange rates, it is not practicable to determine the unrecognized deferred tax liability on these earnings because the actual tax liability, if any, would be dependent on circumstances existing when a repatriation, sale or liquidation occurs.

The 2013 effective income tax rate was negatively impacted by income generated from mark-to-market adjustments for the Company's pension plans that was generally incurred in jurisdictions with tax rates higher than the effective income tax rate. As of December 28, 2013, the Company recorded a deferred tax liability of $2 million related to $24 million of foreign earnings not considered indefinitely reinvested. Accumulated foreign earnings of approximately $2.2 billion , primarily in Europe and Mexico, were considered indefinitely reinvested. Due to varying tax laws around the world and fluctuations in foreign exchange rates, it is not practicable to determine the unrecognized deferred tax liability on these earnings because the actual tax liability, if any, would be dependent on circumstances existing when a repatriation, sale or liquidation occurs.

Management monitors the Company's ability to utilize certain future tax deductions, operating losses and tax credit carryforwards, prior to expiration. Changes resulting from management's assessment will result in impacts to deferred tax assets and the corresponding impacts on the effective income tax rate. Valuation allowances were recorded to reduce deferred tax assets to an amount that will, more likely than not, be realized in the future. The total tax benefit of carryforwards at year-end 2015 and 2014 were $55 million and $54 million, respectively, with related valuation allowances at year-end 2015 and 2014 of $45 million and $39 million, respectively. Of the total carryforwards at year-end 2015, substantially all will expire after 2019.

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The following table provides an analysis of the Company's deferred tax assets and liabilities as of year-end 2015 and 2014. Deferred tax assets on employee benefits increased in 2015 due to lower asset returns and discount rate decreases associated with the Company's pension and postretirement plans.

	Deferred tax assets		Deferred tax liabilities	
(millions)	**2015**	2014	**2015**	2014
U.S. state income taxes	**$ 13**	$ 10	**$ 43**	$ 49
Advertising and promotion-related	**15**	21	**—**	—
Wages and payroll taxes	**21**	36	**—**	—
Inventory valuation	**31**	—	**—**	—
Employee benefits	**366**	305	**—**	—
Operating loss and credit carryforwards	**55**	54	**—**	—
Hedging transactions	**43**	48	**—**	—
Depreciation and asset disposals	**—**	—	**345**	352
Trademarks and other intangibles	**—**	—	**576**	555
Deferred compensation	**35**	35	**—**	—
Stock options	**42**	38	**—**	—
Unremitted foreign earnings	**—**	—	**—**	1
Other	**86**	84	**—**	—
	707	631	**964**	957
Less valuation allowance	**(63)**	(51)	**—**	—
Total deferred taxes	**$ 644**	$ 580	**$ 964**	$ 957
Net deferred tax asset (liability)	**$ (320)**	$ (377)		
Classified in balance sheet as:				
Other current assets	**$ 227**	$ 184		
Other current liabilities	**(9)**	(10)		
Other assets	**147**	175		
Other liabilities	**(685)**	(726)		
Net deferred tax asset (liability)	**$ (320)**	$ (377)		

The change in valuation allowance reducing deferred tax assets was:

(millions)	**2015**	2014	2013
Balance at beginning of year	**$ 51**	$ 61	$ 59
Additions charged to income tax expense	**23**	9	17
Reductions credited to income tax expense	**(7)**	(3)	(3)
Other (a)	**—**	—	(10)
Currency translation adjustments	**(4)**	(16)	(2)
Balance at end of year	**$ 63**	$ 51	$ 61

(a) Reduction due to the disposition of a business resulting in deferred tax asset and valuation allowance being eliminated.

Uncertain tax positions

The Company is subject to federal income taxes in the U.S. as well as various state, local, and foreign jurisdictions. The Company's 2015 provision for U.S. federal income taxes represents approximately 50% of the Company's consolidated income tax provision. The Company was chosen to participate in the Internal Revenue Service (IRS) Compliance Assurance Program (CAP) beginning with the 2008 tax year. As a result, with limited exceptions, the Company is no longer subject to U.S. federal examinations by the IRS for years prior to 2015. The Company is under examination for income and non-income tax filings in various state and foreign jurisdictions.

As of January 2, 2016, the Company has classified $13 million of unrecognized tax benefits as a current liability. Management's estimate of reasonably possible changes in unrecognized tax benefits during the next twelve months is comprised of the current liability balance expected to be settled within one year, offset by approximately $8 million of projected additions related primarily to ongoing intercompany transfer pricing activity. Management is currently unaware of any issues under review that could result in significant additional payments, accruals, or other material deviation in this estimate.

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Following is a reconciliation of the Company's total gross unrecognized tax benefits as of the years ended January 2, 2016, January 3, 2015 and December 28, 2013. For the 2015 year, approximately $48 million represents the amount that, if recognized, would affect the Company's effective income tax rate in future periods.

(millions)		**2015**		2014		2013
Balance at beginning of year	**$**	**78**	$	79	$	80
Tax positions related to current year:						
Additions		**8**		7		9
Tax positions related to prior years:						
Additions		**9**		10		17
Reductions		**(12)**		(12)		(13)
Settlements		**(10)**		(2)		(14)
Lapses in statutes of limitation		**—**		(4)		—
Balance at end of year	**$**	**73**	$	78	$	79

For the year ended January 2, 2016, the Company paid tax-related interest totaling $3 million reducing the accrual balance to $17 million at year end. For the year ended January 3, 2015, the Company recognized an increase of $3 million of tax-related interest resulting in an accrual balance of $20 million at January 3, 2015. For the year ended December 28, 2013, the Company recognized an increase of $4 million of tax-related interest and payments of $6 million, resulting in an accrual balance of approximately $17 million accrued at December 28, 2013.

NOTE 13
DERIVATIVE INSTRUMENTS AND FAIR VALUE MEASUREMENTS

The Company is exposed to certain market risks such as changes in interest rates, foreign currency exchange rates, and commodity prices, which exist as a part of its ongoing business operations. Management uses derivative financial and commodity instruments, including futures, options, and swaps, where appropriate, to manage these risks. Instruments used as hedges must be effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract.

The Company designates derivatives as cash flow hedges, fair value hedges, net investment hedges, and uses other contracts to reduce volatility in interest rates, foreign currency and commodities. As a matter of policy, the Company does not engage in trading or speculative hedging transactions.

Total notional amounts of the Company's derivative instruments as of January 2, 2016 and January 3, 2015 were as follows:

(millions)		**2015**		2014
Foreign currency exchange contracts	**$**	**1,210**	$	764
Interest rate contracts		**—**		2,958
Commodity contracts		**470**		492
Total	**$**	**1,680**	$	4,214

Following is a description of each category in the fair value hierarchy and the financial assets and liabilities of the Company that were included in each category at January 2, 2016 and January 3, 2015, measured on a recurring basis.

Level 1 — Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market. For the Company, level 1 financial assets and liabilities consist primarily of commodity derivative contracts.

Level 2 — Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. For the Company, level 2 financial assets and liabilities consist of interest rate swaps and over-the-counter commodity and currency contracts.

The Company's calculation of the fair value of interest rate swaps is derived from a discounted cash flow analysis based on the terms of the contract and the interest rate curve. Over-the-counter commodity derivatives are valued using an income approach based on the commodity index prices less the contract rate multiplied by the notional

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amount. Foreign currency contracts are valued using an income approach based on forward rates less the contract rate multiplied by the notional amount. The Company's calculation of the fair value of level 2 financial assets and liabilities takes into consideration the risk of nonperformance, including counterparty credit risk.

Level 3 — Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability. The Company did not have any level 3 financial assets or liabilities as of January 2, 2016 or January 3, 2015.

The following table presents assets and liabilities that were measured at fair value in the Consolidated Balance Sheet on a recurring basis as of January 2, 2016 and January 3, 2015:

Derivatives designated as hedging instruments:

	2015			2014		
(millions)	**Level 1**	**Level 2**	**Total**	Level 1	Level 2	Total
Assets:						
Foreign currency exchange contracts:						
Other current assets	**$ —**	**$ 11**	**$ 11**	$ —	$ 29	$ 29
Interest rate contracts (a):						
Other assets	**—**	**—**	**—**	—	7	7
Total assets	**$ —**	**$ 11**	**$ 11**	$ —	$ 36	$ 36
Liabilities:						
Foreign currency exchange contracts:						
Other current liabilities	**$ —**	**$ (10)**	**$ (10)**	$ —	$ (6)	$ (6)
Interest rate contracts:						
Other current liabilities	**—**	**—**	**—**	—	(3)	(3)
Other liabilities	**—**	**—**	**—**	—	(16)	(16)
Commodity contracts:						
Other current liabilities	**—**	**(14)**	**(14)**	—	(12)	(12)
Other liabilities	**—**	**—**	**—**	—	(11)	(11)
Total liabilities	**$ —**	**$ (24)**	**$ (24)**	**$ —**	**$ (48)**	**$ (48)**

(a) The fair value of the related hedged portion of the Company's long-term debt, a level 2 liability, was $2.5 billion as of January 3, 2015.

Derivatives not designated as hedging instruments:

	2015			2014		
(millions)	**Level 1**	**Level 2**	**Total**	Level 1	Level 2	Total
Assets:						
Foreign currency exchange contracts:						
Other current assets	**$ —**	**$ 18**	**$ 18**	$ —	$ —	$ —
Commodity contracts:						
Other current assets	**4**	**—**	**4**	7	—	7
Total assets	**$ 4**	**$ 18**	**$ 22**	$ 7	$ —	$ 7
Liabilities:						
Foreign currency exchange contracts:						
Other current liabilities	**$ —**	**(6)**	**$ (6)**	$ —	$ —	$ —
Commodity contracts:						
Other current liabilities	**(33)**	**—**	**(33)**	(36)	—	(36)
Other liabilities	**—**	**—**	**—**	(4)	—	(4)
Total liabilities	**$ (33)**	**$ (6)**	**$ (39)**	$ (40)	$ —	$ (40)

The Company has designated a portion of its outstanding foreign currency denominated long-term debt as a net investment hedge of a portion of the Company's investment in its subsidiaries foreign currency denominated net

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assets. The carrying value of this debt was $1.2 billion and $600 million as of January 2, 2016 and January 3, 2015, respectively.

The Company has elected to not offset the fair values of derivative assets and liabilities executed with the same counterparty that are generally subject to enforceable netting agreements. However, if the Company were to offset and record the asset and liability balances of derivatives on a net basis, the amounts presented in the Consolidated Balance Sheet as of January 2, 2016 and January 3, 2015 would be adjusted as detailed in the following table:

As of January 2, 2016:		Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Amounts Presented in the Consolidated Balance Sheet	**Financial Instruments**	**Cash Collateral Received/ Posted**	**Net Amount**
Total asset derivatives	**$ 33**	**$ (12)**	**$ —**	**$ 21**
Total liability derivatives	**$ (63)**	**$ 12**	**$ 51**	**$ —**

As of January 3, 2015:		Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Amounts Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Received/ Posted	Net Amount
Total asset derivatives	$ 43	$ (29)	$ —	$ 14
Total liability derivatives	$ (88)	$ 29	$ 50	$ (9)

The effect of derivative instruments on the Consolidated Statement of Income for the years ended January 2, 2016 and January 3, 2015 were as follows:

Derivatives in fair value hedging relationships

(millions)	Location of gain (loss) recognized in income	Gain (loss) recognized in income (a)	
		2015	2014
Foreign currency exchange contracts	OIE	**$ (4)**	$ 3
Interest rate contracts	Interest expense	**20**	17
Total		**$ 16**	$ 20

(a) Includes the ineffective portion and amount excluded from effectiveness testing.

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Derivatives in cash flow hedging relationships

(millions)	Gain (loss) recognized in AOCI		Location of gain (loss) reclassified from AOCI	Gain (Loss) reclassified from AOCI into income		Location of gain (loss) recognized in income (a)	Gain (loss) recognized in income (a)	
	2015	2014		**2015**	2014		**2015**	2014
Foreign currency exchange contracts	**$ 26**	$ 34	COGS	**$ 40**	$ 5	OIE	**$ (3)**	$ (4)
Foreign currency exchange contracts	**(6)**	4	SGA expense	**(2)**	3	OIE	**—**	—
Interest rate contracts	**(9)**	(69)	Interest expense	**(3)**	9	N/A	**—**	—
Commodity contracts	**(3)**	(4)	COGS	**(12)**	(7)	OIE	**—**	—
Total	**$ 8**	$ (35)		**$ 23**	$ 10		**$ (3)**	$ (4)

(a) Includes the ineffective portion and amount excluded from effectiveness testing.

Derivatives and non-derivatives in net investment hedging relationships

(millions)	Gain (loss) recognized in AOCI	
	2015	2014
Foreign currency denominated long-term debt	**$ 70**	$ 86
Total	**$ 70**	$ 86

Derivatives not designated as hedging instruments

(millions)	Location of gain (loss) recognized in income	Gain (loss) recognized in income	
		2015	2014
Foreign currency exchange contracts	COGS	**$ 16**	$ —
Foreign currency exchange contracts	OIE	**8**	1
Interest rate contracts	Interest expense	**—**	(4)
Commodity contracts	COGS	**(63)**	(73)
Commodity contracts	SGA	**(5)**	(5)
Total		**$ (44)**	$ (81)

During the next 12 months, the Company expects $14 million of net deferred losses reported in accumulated other comprehensive income (AOCI) at January 2, 2016 to be reclassified to income, assuming market rates remain constant through contract maturities.

Certain of the Company's derivative instruments contain provisions requiring the Company to post collateral on those derivative instruments that are in a liability position if the Company's credit rating falls below BB+ (S&P), or Baa1 (Moody's). The fair value of all derivative instruments with credit-risk-related contingent features in a liability position on January 2, 2016 was $14 million. If the credit-risk-related contingent features were triggered as of January 2, 2016, the Company would be required to post collateral of $14 million. In addition, certain derivative instruments contain provisions that would be triggered in the event the Company defaults on its debt agreements. There were no collateral posting requirements as of January 2, 2016 triggered by credit-risk-related contingent features.

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Other fair value measurements

2015 Fair Value Measurements on a Nonrecurring Basis

As part of Project K the Company will be consolidating the usage of and disposing certain long-lived assets, including manufacturing facilities and Corporate owned assets over the term of the program. See Note 4 for more information regarding Project K.

During 2015, long-lived assets of $31 million related to a manufacturing facility in the Company's North America Other reportable segment, were written down to an estimated fair value of $13 million due to Project K activities. The Company's calculation of the fair value of these long-lived assets is based on level 3 inputs, including market comparables, market trends and the condition of the assets.

Additionally during 2015, the Company moved from the CENCOEX foreign currency official exchange rate to the SIMADI foreign currency exchange rate for purposes of remeasuring the financial statements of its Venezuelan subsidiary. In connection with this change in foreign currency exchange rates, the Company also evaluated the carrying value of the long lived assets related to its Venezuelan subsidiary. See Note 15 for more information regarding Venezuela. During 2015, long-lived assets with a carrying value of $51 million were written down to an estimated fair value of $2 million. The Company's calculation of the fair value of these long-lived assets is based on level 3 inputs, including market comparables, market trends and the condition of the assets.

2014 Fair Value Measurements on a Nonrecurring Basis

During 2014, long-lived assets of $24 million, related to a manufacturing facility in the Company’s U.S. Snacks segment, were written down to an estimated fair value of $3 million due to Project K activities. The Company’s calculation of the fair value of long-lived assets is based on Level 3 inputs, including market comparables, market trends and the condition of the assets.

Financial instruments

The carrying values of the Company’s short-term items, including cash, cash equivalents, accounts receivable, accounts payable and notes payable approximate fair value. The fair value of the Company’s long-term debt, which are level 2 liabilities, is calculated based on broker quotes and was as follows at January 2, 2016:

(millions)		Fair Value		Carrying Value
Current maturities of long-term debt	$	1,266	$	1,266
Long-term debt		5,635		5,289
Total	$	6,901	$	6,555

Counterparty credit risk concentration

The Company is exposed to credit loss in the event of nonperformance by counterparties on derivative financial and commodity contracts. Management believes a concentration of credit risk with respect to derivative counterparties is limited due to the credit ratings and use of master netting and reciprocal collateralization agreements with the counterparties and the use of exchange-traded commodity contracts.

Master netting agreements apply in situations where the Company executes multiple contracts with the same counterparty. If these counterparties fail to perform according to the terms of derivative contracts, this could result in a loss to the Company. As of January 2, 2016, there were no counterparties that represented a significant concentration of credit risk to the Company.

For certain derivative contracts, reciprocal collateralization agreements with counterparties call for the posting of collateral in the form of cash, treasury securities or letters of credit if a fair value loss position to the Company or its counterparties exceeds a certain amount. As of January 2, 2016, the Company had no collateral posting requirements related to reciprocal collateralization agreements. As of January 2, 2016, the Company posted $51 million in margin deposits for exchange-traded commodity derivative instruments, which was reflected as an increase in accounts receivable, net.

Management believes concentrations of credit risk with respect to accounts receivable is limited due to
the generally high credit quality of the Company’s major customers, as well as the large number and geographic dispersion of smaller customers. However, the Company conducts a disproportionate amount of business with a small number of large multinational grocery retailers, with the five largest accounts encompassing approximately 29% of consolidated trade receivables at January 2, 2016.

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Refer to Note 1 for disclosures regarding the Company's accounting policies for derivative instruments.

NOTE 14
CONTINGENCIES

The Company is subject to various legal proceedings, claims, and governmental inspections or investigations in the ordinary course of business covering matters such as general commercial, governmental regulations, antitrust and trade regulations, product liability, environmental, intellectual property, workers' compensation, employment and other actions. These matters are subject to uncertainty and the outcome is not predictable with assurance. The Company uses a combination of insurance and self-insurance for a number of risks, including workers' compensation, general liability, automobile liability and product liability.

The Company has established accruals for certain matters where losses are deemed probable and reasonably estimable. There are other claims and legal proceedings pending against the Company for which accruals have not been established. It is reasonably possible that some of these matters could result in an unfavorable judgment against the Company and could require payment of claims in amounts that cannot be estimated at January 2, 2016. Based upon current information, management does not expect any of the claims or legal proceedings pending against the Company to have a material impact on the Company's consolidated financial statements.

In connection with the Company's previous labor negotiations with the union representing the work-force at its Memphis, TN cereal production facility, the National Labor Relations Board (NLRB) filed a complaint alleging unfair labor practices under the National Labor Relations Act in March 2014. In July 2014, a U.S. District Court judge ruled that the Memphis employees were entitled to return to work while the underlying litigation continues and employees have subsequently returned to work. In August 2014, an NLRB Administrative Law Judge dismissed the complaint that initiated the underlying litigation. In May 2015, the NLRB reversed the decision of the Administrative Law Judge in favor of the union. The Company is appealing this decision and the case continues. This litigation is not expected to have a material effect on the production or distribution of products from the Memphis, TN facility or a material financial impact on the Company. As of January 2, 2016, the Company has not recorded a liability related to this matter as an adverse outcome is not considered probable. The Company will continue to evaluate the likelihood of potential outcomes for this case as the litigation continues.

NOTE 15
VENEZUELA

Venezuela is considered a highly inflationary economy. As such, the functional currency for the Company's operations in Venezuela is the U.S. dollar, which in turn, requires bolivar denominated monetary assets and liabilities to be remeasured into U.S. dollars using an exchange rate at which such balances could be settled as of the balance sheet date. In addition, revenues and expenses are recorded in U.S. dollars at an appropriate rate on the date of the transaction. Gains and losses resulting from the remeasurement of the bolivar denominated monetary assets and liabilities are recorded in earnings.

In February 2013, the Venezuelan government announced a 46.5% devaluation of the official CADIVI (now named CENCOEX) exchange rate from 4.3 bolivars to 6.3 bolivars to the U.S. dollar. Additionally, the Transaction System for Foreign Currency Denominated Securities (SITME), used between May 2010 and January 2013 to translate the Company's Venezuelan subsidiary's financial statements to U.S. dollars, was eliminated. Accordingly, in February 2013 the Company began using the CENCOEX exchange rate to translate the Company's Venezuelan subsidiary's financial statements to U.S. dollars and in 2013, the Company recognized a $15 million charge as a result of the devaluation of the CENCOEX exchange rate.

From February 2013 through July 4, 2015, the Company used the CENCOEX official rate, which was 6.3 bolivars to the U.S. dollar, to remeasure its Venezuelan subsidiary's financial statements to U.S. dollars. The CENCOEX official rate is presently restricted toward goods and services for industry sectors considered essential, which are primarily food, medicines and a few others and was still 6.3 bolivars to the U.S. dollar at January 2, 2016.

During 2013, the Venezuelan government announced a complementary currency exchange system, SICAD, followed by the establishment of another floating rate exchange system (referred to as SICAD II) during 2014. In February 2015, the Venezuelan government announced the addition of a new foreign currency exchange system referred to as the Marginal Currency System, or SIMADI, along with the merger of the SICAD II system with SICAD.

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As of January 2, 2016, the published SICAD and SIMADI rates offered were 13.5 and 200.0 bolivars to the U.S. dollar, respectively.

The Company continues to manufacture and sell products in Venezuela as well as import limited raw materials, packaging and spare parts, where the Company has a history of successfully exchanging bolivars for U.S. dollars to pay certain vendors as required under the terms of the related purchasing arrangements. While the Company continues to qualify for participation in CENCOEX at the official rate, there has been a continued reduction in the level of U.S. dollars available to exchange, in part due to recent declines in the price of oil and the overall decline of the macroeconomic environment within the country. During 2015, the Company has experienced an increase in the amount of time it takes to exchange bolivars for U.S. dollars through the CENCOEX exchange. Given this economic backdrop, and upon review of U.S. dollar cash needs in the Company's Venezuela operations as of the quarter ended July 4, 2015, the Company concluded that it is no longer able to obtain sufficient U.S. dollars on a timely basis through the CENCOEX exchange to support its Venezuela operations resulting in a decision to remeasure our Venezuela subsidiary's financial statements using the SIMADI rate. The Company has evaluated all of the facts and circumstances surrounding its Venezuelan business and determined that as of January 2, 2016, the SIMADI rate continues to be the appropriate rate to use for remeasuring its Venezuelan subsidiary’s financial statements.

In connection with the change in rates on July 4, 2015, the Company evaluated the carrying value of its non-monetary assets for impairment and lower of cost or market adjustments. As a result of moving from the CENCOEX official rate to the SIMADI rate, the Company recorded pre-tax charges totaling $152 million in the quarter ended July 4, 2015. Of the total charges, $100 million was recorded in COGS, $3 million was recorded in SGA, and $49 million was recorded in Other income (expense), net. These charges consist of $47 million related to the remeasurement of net monetary assets denominated in Venezuelan bolivar at the SIMADI exchange rate (recorded in Other income (expense), net), $56 million related to reducing inventory to the lower of cost or market (recorded in COGS) and $49 million related to the impairment of long-lived assets in Venezuela (recorded primarily in COGS).

For the year ended January 2, 2016, Venezuela represented approximately 2% of total net sales as the CENCOEX official rate was used to remeasure the Venezuelan subsidiary’s income statement through July 4, 2015. As of January 2, 2016, the Company’s net monetary assets denominated in the Venezuelan bolivar were immaterial after applying the SIMADI exchange rate. As of January 3, 2015 the Company’s net monetary assets denominated in the Venezuelan bolivar were approximately $100 million using the CENCOEX official rate.

The Company continues to monitor and actively manage its investment and exposures in Venezuela. The Company’s Venezuelan business does not rely heavily on imports and when items are imported, they are largely exchanged at the CENCOEX official rate however, the Company considers it reasonably possible to utilize alternate exchange mechanisms in the future. The Company is continuing to take actions to further reduce its reliance on imports in order to run its operations without the need for U.S. dollars, including the elimination of imported ingredients where possible and developing a local supply for parts and materials. Less than 2% of the total raw material needs of the Company's Venezuela operations are imported. The Company will continue to monitor local conditions and its ability to obtain U.S. dollars through the various exchange mechanisms available to determine the appropriate rate for remeasurement.

NOTE 16
QUARTERLY FINANCIAL DATA (unaudited)

	Net sales		Gross profit	
(millions)	**2015**	2014	**2015**	2014
First	**$ 3,556**	$ 3,742	**$ 1,245**	$ 1,504
Second	**3,498**	3,685	**1,241**	1,411
Third	**3,329**	3,639	**1,233**	1,292
Fourth	**3,142**	3,514	**962**	856
	$ 13,525	$ 14,580	**$ 4,681**	$ 5,063

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(millions)	Net income attributable to Kellogg Company 2015	2014	Per share amounts 2015 Basic	2015 Diluted	2014 Basic	2014 Diluted
First	**$ 227**	$ 406	**$ 0.64**	**$ 0.64**	$ 1.13	$ 1.12
Second	**223**	295	**0.63**	**0.63**	0.82	0.82
Third	**205**	224	**0.58**	**0.58**	0.63	0.62
Fourth	**(41)**	(293)	**(0.12)**	**(0.12)**	(0.82)	(0.82)
	$ 614	$ 632				

The principal market for trading Kellogg shares is the New York Stock Exchange (NYSE). At January 2, 2016, the closing price (on the NYSE) was $72.27 and there were 35,704 shareholders of record.

Dividends paid per share and the quarterly price ranges on the NYSE during the last two years were:

	Dividend	Stock price	
2015 — Quarter	per share	High	Low
First	**$ 0.49**	**$ 69.84**	**$ 61.97**
Second	**0.49**	**66.38**	**61.31**
Third	**0.50**	**69.77**	**62.74**
Fourth	**0.50**	**73.51**	**66.03**
	$ 1.98		
2014 — Quarter			
First	$ 0.46	$ 62.13	$ 56.90
Second	0.46	69.39	62.62
Third	0.49	66.41	59.83
Fourth	0.49	67.24	59.70
	$ 1.90		

During 2015, the Company recorded the following charges / (gains) in operating profit:

	2015				
(millions)	First	Second	Third	Fourth	Full Year
Restructuring and cost reduction charges	**$ 68**	**$ 90**	**$ 85**	**$ 80**	**$ 323**
(Gains) / losses on mark-to-market adjustments	**67**	**(35)**	**27**	**387**	**446**
	$ 135	**$ 55**	**$ 112**	**$ 467**	**$ 769**

During 2014, the Company recorded the following charges / (gains) in operating profit:

	2014				
(millions)	First	Second	Third	Fourth	Full Year
Restructuring and cost reduction charges	$ 54	$ 78	$ 92	$ 74	$ 298
(Gains) / losses on mark-to-market adjustments	(116)	12	66	822	784
	$ (62)	$ 90	$ 158	$ 896	$ 1,082

NOTE 17
REPORTABLE SEGMENTS

Kellogg Company is the world's leading producer of cereal, second largest producer of cookies and crackers and a leading producer of savory snacks and frozen foods. Additional product offerings include toaster pastries, cereal bars, fruit-flavored snacks and veggie foods. Kellogg products are manufactured and marketed globally. Principal markets for these products include the United States and United Kingdom.

Beginning in the first quarter of 2015, a new Kashi operating segment was established in order to optimize future growth potential of this business. This operating segment is included in the North America Other reportable segment. Previously, results of Kashi were included within the U.S. Morning Foods, U.S. Snacks, and the U.S.

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Frozen operating segments. Goodwill was reallocated between operating segments on a relative fair value basis. In conjunction with the reallocation of goodwill, an impairment analysis was performed. No impairment of the operating segments was noted. Reportable segment results of prior periods have been recast to conform to the current presentation. The Company currently has the following reportable segments: U.S. Morning Foods; U.S. Snacks; U.S. Specialty; North America Other; Europe; Latin America; and Asia Pacific.

The Company manages its operations through 9 operating segments that are based on product category or geographic location. These operating segments are evaluated for similarity with regards to economic characteristics, products, production processes, types or classes of customers, distribution methods and regulatory environments to determine if they can be aggregated into reportable segments. The reportable segments are discussed in greater detail below.

The U.S. Morning Foods operating segment includes cereal, toaster pastries, health and wellness bars, and beverages.

U.S. Snacks includes cookies, crackers, cereal bars, savory snacks and fruit-flavored snacks.

U.S. Specialty primarily represents food away from home channels, including food service, convenience, vending, Girl Scouts and food manufacturing. The food service business is mostly non-commercial, serving institutions such as schools and hospitals. The convenience business includes traditional convenience stores as well as alternate retailing outlets.

North America Other includes the U.S. Frozen, Kashi and Canada operating segments. As these operating segments are not considered economically similar enough to aggregate with other operating segments and are immaterial for separate disclosure, they have been grouped together as a single reportable segment.

The 3 remaining reportable segments are based on geographic location — Europe which consists principally of European countries; Latin America which consists of Central and South America and includes Mexico; and Asia Pacific which consists of Sub-Saharan Africa, Australia and other Asian and Pacific markets.

The measurement of reportable segment results is based on segment operating profit which is generally consistent with the presentation of operating profit in the Consolidated Statement of Income. Intercompany transactions between operating segments were insignificant in all periods presented.

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(millions)	2015	2014	2013
Net sales			
U.S. Morning Foods	**$ 2,992**	$ 3,108	$ 3,195
U.S. Snacks	**3,234**	3,329	3,379
U.S. Specialty	**1,181**	1,198	1,202
North America Other	**1,687**	1,864	1,940
Europe	**2,497**	2,869	2,843
Latin America	**1,015**	1,205	1,195
Asia Pacific	**919**	1,007	1,038
Consolidated	**$ 13,525**	$ 14,580	$ 14,792
Operating profit			
U.S. Morning Foods	**$ 474**	$ 479	$ 469
U.S. Snacks	**385**	364	424
U.S. Specialty	**260**	266	265
North America Other	**178**	295	314
Europe	**247**	232	249
Latin America	**9**	169	157
Asia Pacific	**54**	53	67
Total Reportable Segments	**1,607**	1,858	1,945
Corporate	**(516)**	(834)	892
Consolidated	**$ 1,091**	$ 1,024	$ 2,837
Depreciation and amortization (a)			
U.S. Morning Foods	**$ 123**	$ 136	$ 181
U.S. Snacks	**135**	166	144
U.S. Specialty	**11**	10	8
North America Other	**74**	32	30
Europe	**120**	92	84
Latin America	**28**	32	29
Asia Pacific	**29**	31	40
Total Reportable Segments	**520**	499	516
Corporate	**14**	4	16
Consolidated	**$ 534**	$ 503	$ 532

(a) Includes asset impairment charges as discussed in Note 13.

Certain items such as interest expense and income taxes, while not included in the measure of reportable segment operating results, are regularly reviewed by Management for the Company's internationally-based reportable segments as shown below.

(millions)	2015	2014	2013
Interest expense			
North America Other	**$ 5**	$ 6	$ 6
Europe	**5**	5	6
Latin America	**5**	3	1
Asia Pacific	**2**	1	3
Corporate	**210**	194	219
Consolidated	**$ 227**	$ 209	$ 235
Income taxes			
Europe	**$ 10**	$ (3)	$ 4
Latin America	**34**	42	35
Asia Pacific	**—**	(1)	6
Corporate & North America	**115**	148	747
Consolidated	**$ 159**	$ 186	$ 792

Management reviews balance sheet information, including total assets, based on geography. For all North American-based operating segments, balance sheet information is reviewed by Management in total and not on an individual operating segment basis.

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(millions)	2015	2014	2013
Total assets			
North America	**$ 10,363**	$ 10,489	$ 10,643
Europe	**3,742**	2,893	3,007
Latin America	**587**	905	1,052
Asia Pacific	**1,106**	1,111	1,049
Corporate	**1,198**	1,796	2,583
Elimination entries	**(1,731)**	(2,041)	(2,860)
Consolidated	**$ 15,265**	$ 15,153	$ 15,474
Additions to long-lived assets			
North America	**$ 342**	$ 295	$ 296
Europe	**110**	129	182
Latin America	**23**	31	70
Asia Pacific	**76**	120	85
Corporate	**2**	7	4
Consolidated	**$ 553**	$ 582	$ 637

The Company's largest customer, Wal-Mart Stores, Inc. and its affiliates, accounted for approximately 21% of consolidated net sales during 2015, 2014, and 2013, comprised principally of sales within the United States.

Supplemental geographic information is provided below for net sales to external customers and long-lived assets:

(millions)	2015	2014	2013
Net sales			
United States	**$ 8,560**	$ 8,876	$ 9,060
All other countries	**4,965**	5,704	5,732
Consolidated	**$ 13,525**	$ 14,580	$ 14,792
Long-lived assets			
United States	**$ 2,220**	$ 2,283	$ 2,343
All other countries	**1,401**	1,486	1,513
Consolidated	**$ 3,621**	$ 3,769	$ 3,856

Supplemental product information is provided below for net sales to external customers:

(millions)	2015	2014	2013
Cereal	**$ 5,871**	$ 6,570	$ 6,753
Snacks	**6,698**	7,002	7,011
Frozen	**956**	1,008	1,028
Consolidated	**$ 13,525**	$ 14,580	$ 14,792

NOTE 18
SUPPLEMENTAL FINANCIAL STATEMENT DATA

Consolidated Statement of Income (millions)	2015	2014	2013
Research and development expense	**$ 193**	$ 199	$ 199
Advertising expense	**$ 898**	$ 1,094	$ 1,131

Advertising and consumer promotions are included in total brand-building, a measure that the Company uses to determine the level of investment it makes to support its brands. Advertising has declined in 2015 as a result of foreign currency translation as well as the implementation of efficiency and effectiveness programs including a shift in investments to non-advertising consumer promotion programs. Total brand-building investment has declined in 2015 approximately 50 basis points as a percentage of net sales. Brand building is down including shifts of investment into other areas such as food, the evolving shift in media investment from TV to digital, and efficiency and effectiveness benefits.

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Consolidated Balance Sheet (millions)		2015		2014
Trade receivables	**$**	**1,169**	$	1,101
Allowance for doubtful accounts		**(8)**		(7)
Refundable income taxes		**27**		16
Other receivables		**156**		166
Accounts receivable, net	**$**	**1,344**	$	1,276
Raw materials and supplies	**$**	**315**	$	327
Finished goods and materials in process		**935**		952
Inventories	**$**	**1,250**	$	1,279
Deferred income taxes	**$**	**227**	$	184
Other prepaid assets		**164**		158
Other current assets	**$**	**391**	$	342
Land	**$**	**142**	$	105
Buildings		**2,076**		2,154
Machinery and equipment		**5,617**		6,017
Capitalized software		**328**		327
Construction in progress		**694**		692
Accumulated depreciation		**(5,236)**		(5,526)
Property, net	**$**	**3,621**	$	3,769
Other intangibles	**$**	**2,315**	$	2,338
Accumulated amortization		**(47)**		(43)
Other intangibles, net	**$**	**2,268**	$	2,295
Pension	**$**	**231**	$	250
Other		**485**		527
Other assets	**$**	**716**	$	777
Accrued income taxes	**$**	**42**	$	39
Accrued salaries and wages		**325**		320
Accrued advertising and promotion		**447**		446
Other		**548**		596
Other current liabilities	**$**	**1,362**	$	1,401
Nonpension postretirement benefits	**$**	**77**	$	82
Other		**391**		418
Other liabilities	**$**	**468**	$	500

Allowance for doubtful accounts (millions)		**2015**		2014		2013
Balance at beginning of year	**$**	**7**	$	5	$	6
Additions charged to expense		**4**		6		2
Doubtful accounts charged to reserve		**(3)**		(4)		(3)
Balance at end of year	**$**	**8**	$	7	$	5

Management's Responsibility for Financial Statements

Management is responsible for the preparation of the Company's consolidated financial statements and related notes. We believe that the consolidated financial statements present the Company's financial position and results of operations in conformity with accounting principles that are generally accepted in the United States, using our best estimates and judgments as required.

The independent registered public accounting firm audits the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board and provides an objective, independent review of the fairness of reported operating results and financial position.

The board of directors of the Company has an Audit Committee composed of five non-management Directors. The Committee meets regularly with management, internal auditors, and the independent registered public accounting firm to review accounting, internal control, auditing and financial reporting matters.

Formal policies and procedures, including an active Ethics and Business Conduct program, support the internal controls and are designed to ensure employees adhere to the highest standards of personal and professional

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integrity. We have a rigorous internal audit program that independently evaluates the adequacy and effectiveness of these internal controls.

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Management’s Report on Internal Control over Financial Reporting

Management is responsible for designing, maintaining and evaluating adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

We conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Based on our evaluation under the framework in Internal Control — Integrated Framework (2013), management concluded that our internal control over financial reporting was effective as of January 2, 2016. The effectiveness of our internal control over financial reporting as of January 2, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which follows.

/s/ John A. Bryant
John A. Bryant
Chairman and Chief Executive Officer

/s/ Ronald L. Dissinger
Ronald L. Dissinger
Senior Vice President and Chief Financial Officer

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Kellogg Company

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Kellogg Company and its subsidiaries at January 2, 2016 and January 3, 2015, and the results of their operations and their cash flows for each of the three years in the period ended January 2, 2016 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 2, 2016, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan
February 24, 2016

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure under Rules 13a-15(e) and 15d-15(e). Disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, rather than absolute, assurance of achieving the desired control objectives.

As of January 2, 2016, management carried out an evaluation under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

(b) Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we have included a report of management's assessment of the design and effectiveness of our internal control over financial reporting as part of this Annual Report on Form 10-K. The independent registered public accounting firm of PricewaterhouseCoopers LLP also attested to, and reported on, the effectiveness of our internal control over financial reporting. Management's report and the independent registered public accounting firm's attestation report are included in our 2015 financial statements in Item 8 of this Report under the captions entitled "Management's Report on Internal Control over Financial Reporting" and "Report of Independent Registered Public Accounting Firm" and are incorporated herein by reference.

(c) During the third quarter of 2014, we went live with the first phase of our Global Business Services (GBS) initiative, in conjunction with Project K, which includes the reorganization and relocation of certain financial and operational service processes, internal to the organization. This initiative is expected to continue through 2016 and will impact the design of our control framework. During the transition to GBS, we have put additional controls in place to monitor and maintain appropriate internal controls impacting financial reporting.

There have been no other changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors — Refer to the information in our Proxy Statement to be filed with the Securities and Exchange Commission for the Annual Meeting of Shareowners to be held on April 29, 2016 (the "Proxy Statement"), under the caption "Proposal 1 — Election of Directors," which information is incorporated herein by reference.

Identification and Members of Audit Committee; Audit Committee Financial Expert — Refer to the information in the Proxy Statement under the caption "Board and Committee Membership," which information is incorporated herein by reference.

Executive Officers of the Registrant — Refer to "Executive Officers" under Item 1 of this Report.

For information concerning Section 16(a) of the Securities Exchange Act of 1934 — Refer to the information under the caption "Security Ownership — Section 16(a) Beneficial Ownership Reporting Compliance" of the Proxy Statement, which information is incorporated herein by reference.

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Code of Ethics for Chief Executive Officer, Chief Financial Officer and Controller —We have adopted a Global Code of Ethics which applies to our chief executive officer, chief financial officer, corporate controller and all our other employees, and which can be found at www.kelloggcompany.com. Any
amendments or waivers to the Global Code of Ethics applicable to our chief executive officer, chief financial officer or corporate controller may also be found at www.kelloggcompany.com.

ITEM 11. EXECUTIVE COMPENSATION

Refer to the information under the captions "2015 Director Compensation and Benefits," "Compensation Discussion and Analysis," "Executive Compensation," "Retirement and Non-Qualified Defined Contribution and Deferred Compensation Plans," and "Potential Post-Employment Payments" of the Proxy Statement, which is incorporated herein by reference. See also the information under the caption "Compensation Committee Report" of the Proxy Statement, which information is incorporated herein by reference; however, such information is only "furnished" hereunder and not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Refer to the information under the captions "Security Ownership — Five Percent Holders" and "Security Ownership — Officer and Director Stock Ownership" of the Proxy Statement, which information is incorporated herein by reference.

Securities Authorized for Issuance Under Equity Compensation Plans

(millions, except per share data) Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights as of January 2, 2016 (a)		Weighted-average exercise price of outstanding options, warrants and rights as of January 2, 2016 (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) as of January 2, 2016 (c)*
Equity compensation plans approved by security holders	20.5	$	58	16.4
Equity compensation plans not approved by security holders	—		NA	0.3
Total	20.5	$	58	16.7

* The total number of shares remaining available for issuance under the 2013 Long-term Incentive Plan will be reduced by two shares for each share issued pursuant to an award other than a stock option or stock appreciation right, or potentially issuable pursuant to an outstanding award other than a stock option or stock appreciation right, which will in each case reduce the total number of shares remaining by one share for each share issued.

Three plans are considered "Equity compensation plans not approved by security holders." The Kellogg Share Incentive Plan, which was adopted in 2002 and is available to most U.K. employees of specified Kellogg Company subsidiaries; a similar plan, which is available to employees in the Republic of Ireland; and the Deferred Compensation Plan for Non-Employee Directors, which was adopted in 1986 and amended in 1993 and 2002.

Under the Kellogg Share Incentive Plan, eligible U.K. employees may contribute up to 1,500 Pounds Sterling annually to the plan through payroll deductions. The trustees of the plan use those contributions to buy shares of our common stock at fair market value on the open market, with Kellogg matching those contributions on a 1:1 basis. Shares must be withdrawn from the plan when employees cease employment. Under current law, eligible employees generally receive certain income and other tax benefits if those shares are held in the plan for a specified number of years. A similar plan is also available to employees in the Republic of Ireland. As these plans are open market plans with no set overall maximum, no amounts for these plans are included in the above table. However, approximately 48,000 shares were purchased by eligible employees under the Kellogg Share Incentive Plan, the plan for the Republic of Ireland and other similar predecessor plans during 2015, with approximately an additional 48,000 shares being provided as matched shares.

The Deferred Compensation Plan for Non-Employee Directors was amended and restated during 2013. Under the Deferred Compensation Plan for Non-Employee Directors, non-employee Directors may elect to defer all or part of their compensation (other than expense reimbursement) into units which are credited to their accounts. The units have a value equal to the fair market value of a share of our common stock on the appropriate date, with dividend

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equivalents being earned on the whole units in non-employee Directors' accounts. Units must be paid in shares of our common stock, either in a lump sum or in up to ten annual installments, with the installments to begin as soon as practicable after the non-employee Director's service as a Director terminates. No more than 300,000 shares are authorized for use under this plan, of which approximately 1,000 had been issued as of January 2, 2016.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Refer to the information under the captions "Corporate Governance — Director Independence" and "Related Person Transactions" of the Proxy Statement, which information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Refer to the information under the captions "Proposal 3 — Ratification of PricewaterhouseCoopers LLP — Fees Paid to Independent Registered Public Accounting Firm" and "Proposal 3 — Ratification of PricewaterhouseCoopers LLP — Preapproval Policies and Procedures" of the Proxy Statement, which information is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The Consolidated Financial Statements and related Notes, together with Management's Report on Internal Control over Financial Reporting, and the Report thereon of PricewaterhouseCoopers LLP dated February 24, 2016, are included herein in Part II, Item 8.

(a) 1. Consolidated Financial Statements

Consolidated Statement of Income for the years ended January 2, 2016, January 3, 2015 and December 28, 2013.

Consolidated Statement of Comprehensive Income for the years ended January 2, 2016, January 3, 2015 and December 28, 2013.

Consolidated Balance Sheet at January 2, 2016 and January 3, 2015.

Consolidated Statement of Equity for the years ended January 2, 2016, January 3, 2015 and December 28, 2013.

Consolidated Statement of Cash Flows for the years ended January 2, 2016, January 3, 2015 and December 28, 2013.

Notes to Consolidated Financial Statements.

Management's Report on Internal Control over Financial Reporting.

Report of Independent Registered Public Accounting Firm.

(a) 2. Consolidated Financial Statement Schedule

All financial statement schedules are omitted because they are not applicable or the required information is shown in the financial statements or the notes thereto.

(a) 3. Exhibits required to be filed by Item 601 of Regulation S-K

The information called for by this Item is incorporated herein by reference from the Exhibit Index included in this Report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, this 24th day of February, 2016.

KELLOGG COMPANY

By: /s/ John A. Bryant

John A. Bryant

Chairman and Chief Executive Officer

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Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Capacity	Date
/s/ John A. Bryant John A. Bryant	Chairman and Chief Executive Officer and Director (Principal Executive Officer)	February 24, 2016
/s/ Ronald L. Dissinger Ronald L. Dissinger	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 24, 2016
* Stephanie A. Burns	Director	February 24, 2016
* John T. Dillon	Director	February 24, 2016
* Gordon Gund	Director	February 24, 2016
* Zachary Gund	Director	February 24, 2016
* James M. Jenness	Director	February 24, 2016
* Ann McLaughlin Korologos	Director	February 24, 2016
* Donald R. Knauss	Director	February 24, 2016
* Mary Laschinger	Director	February 24, 2016
* Cynthia H. Milligan	Director	February 24, 2016
* La June Montgomery Tabron	Director	February 24, 2016
* Rogelio M. Rebolledo	Director	February 24, 2016
* Carolyn M. Tastad	Director	February 24, 2016
* Noel R. Wallace	Director	February 24, 2016

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* By:	/s/	Gary H. Pilnick Gary H. Pilnick	Attorney-in-fact	February 24, 2016

EXHIBIT INDEX

Exhibit No.	Description	Electronic(E), Paper(P) or Incorp. By Ref.(IBRF)
2.01	Amended and Restated Transaction Agreement between us and The Procter & Gamble Company, incorporated by reference to Exhibit 1.1 of our Current Report on Form 8-K dated May 31, 2012, Commission file number 1-4171.	IBRF
3.01	Amended Restated Certificate of Incorporation of Kellogg Company, incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-8, file number 333-56536.	IBRF
3.02	Bylaws of Kellogg Company, as amended, incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K dated February 23, 2016, Commission file number 1-4171.	IBRF
4.01	Indenture and Supplemental Indenture dated March 15 and March 29, 2001, respectively, between Kellogg Company and BNY Midwest Trust Company, including the form of 7.45% Debentures due 2031, incorporated by reference to Exhibit 4.01 and 4.02 to our Quarterly Report on Form 10-Q for the quarter ending March 31, 2001, Commission file number 1-4171.	IBRF
4.02	Form of Indenture between Kellogg Company and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-3, Commission file number 333-159303.	IBRF
4.03	Officers' Certificate of Kellogg Company (with form of Kellogg Company 4.450% Senior Note Due May 30, 2016), incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K dated May 18, 2009, Commission file number 1-4171.	IBRF
4.04	Officers' Certificate of Kellogg Company (with form of Kellogg Company 4.150% Senior Note Due 2019), incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K dated November 16, 2009, Commission file number 1-4171.	IBRF
4.05	Officers' Certificate of Kellogg Company (with form of Kellogg Company 4.000% Senior Note Due 2020), incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated December 8, 2010, Commission file number 1-4171.	IBRF
4.06	Officers' Certificate of Kellogg Company (with form of Kellogg Company 3.25% Senior Note Due 2018), incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated May 15, 2011, Commission file number 1-4171.	IBRF

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Exhibit No.	Description	Electronic(E), Paper(P) or Incorp. By Ref.(IBRF)
4.07	Officers' Certificate of Kellogg Company (with form of Kellogg Company 1.875% Senior Note Due 2016), incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated November 17, 2011, Commission file number 1-4171.	IBRF
4.08	Officers' Certificate of Kellogg Company (with form of 1.125% Senior Note due 2015, 1.750% Senior Note due 2017 and 3.125% Senior Note due 2022), incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated May 17, 2012, Commission file number 1-4171.	IBRF
4.09	Indenture, dated as of May 22, 2012, between Kellogg Canada Inc., Kellogg Company, and BNY Trust Company of Canada and The Bank of New York Mellon Trustee Company, N.A., as trustees, incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated May 22, 2012, commission file number 1-4171.	IBRF
4.10	First Supplemental Indenture, dated as of May 22, 2012, between Kellogg Canada, Inc., Kellogg Company, and BNY Trust Company of Canada and The Bank of New York Mellon Trustee Company, N.A., as trustees incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated May 22, 2012, Commission file number 1-4171.	IBRF
4.11	Officer's Certificate of Kellogg Company (with form of Floating Rate Senior Notes due 2015 and 2.750% Senior Notes due 2023), incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated February 14, 2013, Commission file number 1-4171.	IBRF
4.12	Second Supplemental Indenture dated as of May 22, 2014, between Kellogg Canada Inc., Kellogg Company, and BNY Trust Company of Canada and The Bank of New York Mellon Trustee Company, N.A., as trustees, incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated May 22, 2014, commission file number 1-4171.	IBRF
4.13	Officer's Certificate of Kellogg Company (with form of 1.250% Senior Notes due 2025), incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated March 9, 2015, Commission file number 1-4171.	IBRF
10.01	Kellogg Company Excess Benefit Retirement Plan, incorporated by reference to Exhibit 10.01 to our Annual Report on Form 10-K for the fiscal year ended December 31, 1983, Commission file number 1-4171.*	IBRF
10.02	Kellogg Company Supplemental Retirement Plan, incorporated by reference to Exhibit 10.05 to our Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission file number 1-4171.*	IBRF
10.03	Kellogg Company Supplemental Savings and Investment Plan, as amended and restated as of January 1, 2003, incorporated by reference to Exhibit 10.03 to our Annual Report on Form 10-K for the fiscal year ended December 28, 2002, Commission file number 1-4171.*	IBRF

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Exhibit No.	Description	Electronic(E), Paper(P) or Incorp. By Ref.(IBRF)
10.04	Kellogg Company International Retirement Plan, incorporated by reference to Exhibit 10.05 to our Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission file number 1-4171.*	IBRF
10.05	Kellogg Company Executive Survivor Income Plan, incorporated by reference to Exhibit 10.06 to our Annual Report on Form 10-K for the fiscal year ended December 31, 1985, Commission file number 1-4171.*	IBRF
10.06	Kellogg Company Key Executive Benefits Plan, incorporated by reference to Exhibit 10.09 to our Annual Report on Form 10-K for the fiscal year ended December 31, 1991, Commission file number 1-4171.*	IBRF
10.07	Kellogg Company Key Employee Long Term Incentive Plan, incorporated by reference to Exhibit 10.6 to our Annual Report on Form 10-K for the fiscal year ended December 29, 2007, Commission file number 1-4171.*	IBRF
10.08	Kellogg Company Senior Executive Officer Performance Bonus Plan, incorporated by reference to Exhibit 10.10 to our Annual Report on Form 10-K for the fiscal year ended December 31, 1995, Commission file number 1-4171.*	IBRF
10.09	Kellogg Company 2000 Non-Employee Director Stock Plan, incorporated by reference to Exhibit 10.10 to our Annual Report on Form 10-K for the fiscal year ended December 29, 2007, Commission file number 1-4171.*	IBRF
10.10	Kellogg Company Bonus Replacement Stock Option Plan, incorporated by reference to Exhibit 10.12 to our Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission file number 1-4171.*	IBRF
10.11	Kellogg Company Executive Compensation Deferral Plan incorporated by reference to Exhibit 10.13 to our Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission file number 1-4171.*	IBRF
10.12	Employment Letter between us and James M. Jenness, incorporated by reference to Exhibit 10.18 to our Annual Report in Form 10-K for the fiscal year ended January 1, 2005, Commission file number 1-4171.*	IBRF
10.13	Agreement between us and other executives, incorporated by reference to Exhibit 10.05 of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, Commission file number 1-4171.*	IBRF
10.14	Stock Option Agreement between us and James Jenness, incorporated by reference to Exhibit 4.4 to our Registration Statement on Form S-8, file number 333-56536.*	IBRF

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Exhibit No.	Description	Electronic(E), Paper(P) or Incorp. By Ref.(IBRF)
10.15	Kellogg Company 2002 Employee Stock Purchase Plan, as amended and restated as of January 1, 2008, incorporated by reference to Exhibit 10.22 to our Annual Report on Form 10-K for the fiscal year ended December 29, 2007, Commission file number 1-4171.*	IBRF
10.16	Kellogg Company 1993 Employee Stock Ownership Plan, incorporated by reference to Exhibit 10.23 to our Annual Report on Form 10-K for the fiscal year ended December 29, 2007, Commission file number 1-4171.*	IBRF
10.17	Kellogg Company 2003 Long-Term Incentive Plan, as amended and restated as of December 8, 2006, incorporated by reference to Exhibit 10. to our Annual Report on Form 10-K for the fiscal year ended December 30, 2006, Commission file number 1-4171.*	IBRF
10.18	Kellogg Company Severance Plan, incorporated by reference to Exhibit 10. of our Annual Report on Form 10-K for the fiscal year ended December 28, 2002, Commission file number 1-4171.*	IBRF
10.19	Form of Non-Qualified Option Agreement for Senior Executives under 2003 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the fiscal period ended September 25, 2004, Commission file number 1-4171.*	IBRF
10.20	Form of Restricted Stock Grant Award under 2003 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q for the fiscal period ended September 25, 2004, Commission file number 1-4171.*	IBRF
10.21	Form of Non-Qualified Option Agreement for Non-Employee Director under 2000 Non-Employee Director Stock Plan, incorporated by reference to Exhibit 10.6 to our Quarterly Report on Form 10-Q for the fiscal period ended September 25, 2004, Commission file number 1-4171.*	IBRF
10.22	First Amendment to the Key Executive Benefits Plan, incorporated by reference to Exhibit 10.39 of our Annual Report in Form 10-K for our fiscal year ended January 1, 2005, Commission file number 1-4171.*	IBRF
10.23	Restricted Stock Grant/Non-Compete Agreement between us and John Bryant, incorporated by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q for the period ended April 2, 2005, Commission file number 1-4171 (the “2005 Q1 Form 10-Q”).*	IBRF
10.24	Executive Survivor Income Plan, incorporated by reference to Exhibit 10.42 of our Annual Report in Form 10-K for our fiscal year ended December 31, 2005, Commission file number 1-4171.*	IBRF
10.25	Agreement between us and James M. Jenness, incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated October 20, 2006, Commission file number 1-4171.*	IBRF

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Exhibit No.	Description	Electronic(E), Paper(P) or Incorp. By Ref.(IBRF)
10.26	Letter Agreement between us and John A. Bryant, dated July 23, 2007, incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated July 23, 2007, Commission file number 1-4171.*	IBRF
10.27	Agreement between us and James M. Jenness, dated February 22, 2008, incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated February 22, 2008, Commission file number 1-4171.*	IBRF
10.28	Form of Amendment to Form of Agreement between us and certain executives, incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated December 18, 2008, Commission file number 1-4171.*	IBRF
10.29	Amendment to Letter Agreement between us and John A. Bryant, dated December 18, 2008, incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated December 18, 2008, Commission file number 1-4171.*	IBRF
10.30	Form of Restricted Stock Grant Award under 2003 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated December 18, 2008, Commission file number 1-4171.*	IBRF
10.31	Form of Option Terms and Conditions for SVP Executive Officers under 2003 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated February 20, 2009, Commission file number 1-4171.*	IBRF
10.32	Kellogg Company 2009 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.1 to our Registration Statement on Form S-8 dated April 27, 2009, Commission file number 333-158824.*	IBRF
10.33	Kellogg Company 2009 Non-Employee Director Stock Plan, incorporated by reference to Exhibit 10.1 to our Registration Statement on Form S-8 dated April 27, 2009, Commission file number 333-158826.*	IBRF
10.34	Form of Option Terms and Conditions under 2009 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated February 25, 2011, Commission file number 1-4171.	IBRF
10.35	Letter Agreement between us and Gary Pilnick, dated May 20, 2008, incorporated by reference to Exhibit 10.54 to our Annual Report on Form 10-K for the fiscal year ended January 1, 2011, commission file number 1-4171.*	IBRF
10.36	Kellogg Company Senior Executive Annual Incentive Plan, incorporated by reference to Appendix A of our Board of Directors' proxy statement for the annual meeting of shareholders held on April 29, 2011.*	IBRF
10.37	2012-2014 Executive Performance Plan, incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K dated February 23, 2012, Commission file number 1-4171.*	IBRF

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Exhibit No.	Description	Electronic(E), Paper(P) or Incorp. By Ref.(IBRF)
10.38	Form of Option Terms and Conditions, incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated February 23, 2012, Commission file number 1-4171.*	IBRF
10.39	Form of Restricted Stock Terms and Conditions, incorporated by reference to Exhibit 10.45 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, Commission file number 1-4171.*	IBRF
10.40	Form of Restricted Stock Unit Terms and Conditions, incorporated by reference to Exhibit 10.45 to our Annual Report on Form 10-K for the fiscal year ended December 29, 2012, Commission file number 1-4171.*	IBRF
10.41	2013-2015 Executive Performance Plan, incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated February 27, 2013, Commission file number 1-4171.*	IBRF
10.42	Kellogg Company 2013 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.1 to our Registration Statement on Form S-8, file number 333-188222.*	IBRF
10.43	Kellogg Company Pringles Savings and Investment Plan, incorporated by reference to Exhibit 4.3 to our Registration Statement on Form S-8, file number 333-189638.*	IBRF
10.44	Amendment Number 1. to the Kellogg Company Pringles Savings and Investment Plan, incorporated by reference to Exhibit 4.4 to our Registration Statement on Form S-8, file number 333-189638.*	IBRF
10.45	Kellogg Company Deferred Compensation Plan for Non-Employee Directors, incorporated by reference to Exhibit 10.49 to our Annual Report on Form 10-K dated February 24, 2014, Commission file number 1-4171.*	IBRF
10.46	Kellogg Company Executive Compensation Deferral Plan, incorporated by reference to Exhibit 10.50 to our Annual Report on Form 10-K dated February 24, 2014, Commission file number 1-4171.*	IBRF
10.47	2014-2016 Executive Performance Plan, incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K dated February 27, 2014, Commission file number 1-4171.*	IBRF
10.48	Five-Year Credit Agreement dated as of February 28, 2014 with JPMorgan Chase Bank, N.A., as Administrative Agent, Barclays Capital, as Syndication Agent, BNP Paribas, Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., “Rabobank Nederland”, New York Branch and Wells Fargo Bank, N.A., as Documentation Agents, J.P. Morgan Securities LLC, Barclays Capital, BNP Paribas Securities Corp., Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., “Rabobank Nederland”, New York Branch and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Joint Bookrunners, incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated March 4, 2014, Commission file number 1-4171.	IBRF

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10.49	Kellogg Company Change of Control Severance Policy for Key Executives, incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated December 11, 2014.*	IBRF
10.50	Amendment to Change of Control between the Company and John Bryant, dated December 5, 2014, incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated December 11, 2014.*	IBRF
10.51	2015-2017 Executive Performance Plan, incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K dated February 24, 2015, Commission file number 1-4171.*	IBRF
10.52	Form of Option Terms and Conditions, incorporated by reference to Exhibit 10.2 of our Current Report on Form 8-K dated February 24, 2015, Commission file number 1-4171.*	IBRF
10.53	2016-2018 Executive Performance Plan, incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K dated February 23, 2016, Commission file number 1-4171.*	IBRF
10.54	Form of Option Terms and Conditions, incorporated by reference to Exhibit 10.2 of our Current Report on Form 8-K dated February 23, 2016, Commission file number 1-4171.*	IBRF
21.01	Domestic and Foreign Subsidiaries of Kellogg.	E
23.01	Consent of Independent Registered Public Accounting Firm.	E
24.01	Powers of Attorney authorizing Gary H. Pilnick to execute our Annual Report on Form 10-K for the fiscal year ended January 3, 2015, on behalf of the Board of Directors, and each of them.	E
31.1	Rule 13a-14(a)/15d-14(a) Certification by John A. Bryant.	E
31.2	Rule 13a-14(a)/15d-14(a) Certification by Ronald L. Dissinger.	E
32.1	Section 1350 Certification by John A. Bryant.	E
32.2	Section 1350 Certification by Ronald L. Dissinger.	E
101.INS	XBRL Instance Document	E
101.SCH	XBRL Taxonomy Extension Schema Document	E
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	E
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	E
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	E
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	E

* A management contract or compensatory plan required to be filed with this Report.

We agree to furnish to the Securities and Exchange Commission, upon its request, a copy of any instrument defining the rights of holders of long-term debt of Kellogg and our subsidiaries and any of our unconsolidated subsidiaries for which Financial Statements are required to be filed.

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We will furnish any of our shareowners a copy of any of the above Exhibits not included herein upon the written request of such shareowner and the payment to Kellogg of the reasonable expenses incurred in furnishing such copy or copies.

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Exhibit 21.01

KELLOGG COMPANY SUBSIDIARIES
(COMMON STOCK OWNERSHIP)

North America

Kellogg Company Subsidiaries

- Argkel, Inc. - Delaware
- CC Real Estate Holdings, LLC - Michigan
- Kashi Company - California
- Keebler USA, Inc. - Delaware
- Kellogg Asia Inc. - Delaware
- Kellogg Chile Inc. - Delaware
- Kellogg Fearn, Inc. - Michigan
- Kellogg Holding, LLC - Delaware
- Kellogg International Holding Company - Delaware
- Kellogg Transition MA&P L.L.C. - Delaware
- Kellogg USA Inc. - Michigan
- K-One Inc. - Delaware
- K-Two Inc. - Delaware
- McCamly Plaza Hotel Inc. - Delaware
- The Eggo Company - Delaware
- Trafford Park Insurance Limited - Bermuda
- Worthington Foods, Inc. - Ohio

Kashi Company Subsidiaries

- Bear Naked, Inc. - Delaware

Kellogg USA Inc. Subsidiaries

- Keebler Holding Corp - Georgia

Keebler Holding Corp Subsidiaries

- Keebler Foods Company - Delaware

Keebler Foods Company Subsidiaries

- Austin Quality Foods, Inc. - Delaware
- BDH, Inc.- Delaware
- Keebler Company - Delaware
- Shaffer, Clarke & Co., Inc. - Delaware

Austin Quality Foods, Inc. Subsidiaries:

- AQFTM, Inc. - Delaware
- Cary Land Corporation - North Carolina

Keebler Company Subsidiaries

- Godfrey Transport, Inc.- Delaware
- Illinois Baking Corporation - Delaware
- Kellogg Business Services Company - Delaware (f/k/a Kellogg IT Services Company)
- Kellogg North America Company - Delaware
- Kellogg Sales Company - Delaware

Kellogg Sales Company Subsidiaries

(d/b/a Kellogg's Snacks d/b/a Kellogg's Food Away From Home d/b/a Austin Quality Sales Company)

- 545 LLC - Delaware
- Barbara Dee Cookie Company, L.L.C. - Delaware
- Famous Amos Chocolate Chip Cookie Company, L.L.C. - Delaware
- Gardenburger, LLC - Delaware
- Kashi Sales, L.L.C. - Delaware

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- Little Brownie Bakers, L.L.C. - Delaware
- Mother's Cookie Company, L.L.C.- Delaware
- Murray Biscuit Company, L.L.C. - Delaware
- President Baking Company, L.L.C.- Delaware
- Specialty Foods, L.L.C. - Delaware
- Stretch Island Fruit Sales L.L.C. - Delaware
- Sunshine Biscuits, L.L.C.- Delaware

K-One Inc Subsidiaries

- SIA Kellogg Latvija - Latvia
- Kellogg Latvia, Inc. - Delaware

Kellogg North America Company Subsidiaries

- Pringles LLC - Delaware

Asia Pacific/China/Sub-Saharan

Kellogg Company Subsidiaries

- K (China) Limited - Delaware
- K India Private Limited - Delaware
- Kellogg (Thailand) Limited - Delaware
- Kellogg (Thailand) Limited - Thailand
- Kellogg Asia Marketing Inc. - Delaware
- Kellogg Asia Sdn. Bhd. - Malaysia
- Kellogg India Private Limited - India
- Kellogg Asia Pacific Pte. Ltd - Singapore
- Kellogg Tolaram Pte. Ltd. - Singapore (Joint Venture)

Kellogg Latin America Holding Company (One) Limited Subsidiaries

- Kellogg Asia Products Sdn. Bhd. - Malaysia
- Kellogg Company East Africa Limited - Kenya
- Kellogg Hong Kong Private Limited - Hong Kong
- Nhong Shim Kellogg Co. Ltd. - South Korea
- Pringles Taiwan Limited - Taiwan

Kellogg Asia Marketing Inc. Subsidiaries

- Shanghai Trading Co. Ltd. - China

Kellogg Hong Kong Private Limited Subsidiaries

- Kellogg (Qingdao) Food Co., Ltd.
- Kellogg Foods (Shanghai) Co. Ltd - China
- Wimble Manufacturing Belgium BVBA - Belgium
- Wimble Services Belgium BVBA - Belgium
- Pringles Hong Kong Limited - Hong Kong
- Yihai Kerry Kellogg Foods (Shanghai) Company Limited - China (Joint Venture)

Kellogg Tolaram Pte. Ltd. Joint Venture Subsidiaries

- Kellogg Tolaram Ghana Private Limited - Ghana
- Kellogg Tolaram Nigeria Limited - Nigeria

Canada-Australia-New Zealand

Kellogg Company Subsidiaries

- Canada Holding LLC - Delaware

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Kellogg Australia Holdings Pty Ltd, Subsidiaries
- Kellogg (Aust.) Pty. Ltd. - Australia

Kellogg (Aust.) Pty. Ltd. Subsidiaries
- Kashi Company Pty. Ltd. - Australia
- Kellogg Superannuation Pty. Ltd. - Australia
- Specialty Cereals Pty Limited - Australia
- The Healthy Snack People Pty Limited - Australia
- Pringles Australia Pty Ltd - Australia

Canada Holding LLC Subsidiaries
- Kellogg Kayco - Cayman Islands
- Kellogg Group Limited - England and Wales

Kellogg Group Limited Subsidiaries
- Pringles Manufacturing Company - Delaware
- Gollek UK Limited - United Kingdom

Gollek UK Limited Subsidiaries
- Kellogg Latin America Holding Company (One) Limited - England and Wales

Mexico-Latin America

Kellogg Company Subsidiaries
- Gollek Inc. - Delaware
- Kelarg, Inc. - Delaware
- Kellogg Argentina S.R.L. - Argentina
- Kellogg Brasil, Inc. - Delaware
- Kellogg Caribbean Inc. - Delaware
- Kellogg Caribbean Services Company, Inc. - Puerto Rico
- Kellogg Chile Limited - Chile
- Kellogg de Centro America, S.A. - Guatemala
- Kellogg de Colombia, S.A. - Colombia

Kellogg Latin America Holding Company (One) Limited Subsidiaries
- Alimentos Kellogg de Panama SRL - Panama
- Alimentos Kellogg, S.A. - Venezuela
- Gollek Argentina S.R.L. - Argentina
- Kellogg Company Mexico, S. de R.L. de C.V. - Mexico
- Kellogg Costa Rica S. de R.L. - Costa Rica
- Kellogg de Peru, S.A.L. - Peru
- Kellogg Ecuador Compania Ltda. - Ecuador
- Pringles Serviçes e Comércio de Alimentos Ltda - Brazil

Kellogg Company Mexico, S. de R.L. de C.V. Subsidiaries
- Gollek Interamericas, S. de R.L., de C.V. - Mexico
- Gollek Services, S.A. a/k/a Gollek Servicios, S.C. - Mexico
- Kellman, S. de R.L. de C.V. - Mexico
- Kellogg de Mexico, S. de R.L. de C.V. - Mexico
- Kellogg Servicios, S.C. - Mexico
- Pronumex, S. de R.L. de C.V. - Mexico
- Instituto de Nutricion y Salud Kellogg, A.C. - Mexico

Kellogg de Mexico, S. de R.L. de C.V. Subsidiaries
- Servicios Argkel, S.C. - Mexico

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Alimentos Kellogg, S.A. Subsidiaries

- Gollek, S.A. - Venezuela

Gollek, Inc. Subsidiaires

- Kellogg Brasil Ltda. - Brasil
- Kellogg El Salvador S. de R.L. de C.V. - El Salvador

Europe

Kellogg Company Subsidiaries

- Bisco Misr - Egypt
- Gollek B.V. - Netherlands
- Kellogg UK Minor Limited - Manchester, England

Kellogg Latin America Holding Company (One) Limited Subsidiaries

- Kellogg Company of Great Britain Limited - England
- Kellogg Hong Kong Holding Company - England and Wales
- Kellogg Latin America Holding Company (Two) Limited - United Kingdom
- Kellogg Netherlands Holding B.V. - Netherlands
- Prime Bond Holdings Limited - Cyprus
- Pringles Overseas Holding S.a.r.l. - Switzerland

Kellogg International Holding Company Subsidiaries

- Kellogg Holding Company Limited - Bermuda
- Kellogg Italia S.p.A. - Delaware
- K Europe Holding Company Limited - England and Wales
- Klux A S.a.r.l. - Luxembourg
- Prime Bond Cyprus Holding Company Limited - Cyprus

Kellogg Holding Company Limited Subsidiaries

- Kellogg Europe Company Limited - Bermuda

K Europe Holding Company Limited Subsidiaries

- Multipro Singapore Pte. Ltd. - Singapore (Joint Venture)

Klux A S.a.r.l. Subsidiaries

- Klux B S.a.r.l. - Luxembourg

Kellogg Europe Company Limited Subsidiaries

- Kellogg Lux I S.a.r.l. - Luxembourg
- Pringles S.a.r.l. - Luxembourg (f/k/a Kellogg Lux II S.a.r.l.)
- KECL, LLC - Delaware

Kellogg Lux I S.a.r.l. Subsidiaries

- Kellogg Europe Trading Limited - Ireland
- Kellogg Europe Treasury Services Limited - Ireland
- Kellogg Irish Holding Company Limited - Ireland
- Kellogg Lux V S.a.r.l. - Luxembourg
- Kellogg Malta Limited - Malta
- Kellogg Europe Emerging Markets Services (KEEM) - France
- UMA Investments sp. z o.o. - Poland
- Kellogg European Logistics Services Company Limited - Ireland (f/k/a Kellogg Europe Snacks Limited)

Kellogg Lux V S.a.r.l. Subsidiaries

- Kellogg Snacks Financing Limited - Ireland

Pringles S.a.r.l. Subsidiaries

- PRUX S.a.r.l. - Luxembourg

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- Pringles LP - Canada

UMA Investments sp. z o.o. Subsidiaries
- Villada sp. z o.o. - Poland

Kellogg European Logistics Services Company Limited Subsidiaries
- Pringles International Operations S.a.r.l. - Switzerland
- Kellogg Snacks Holding Company Europe Limited - Ireland (f/k/a Pactglade Limited)

Kellogg Company of Great Britain Limited Subsidiaries
- Kellogg Canada Inc. - Canada
- Favorite Food Products Limited - England
- Kelcone Limited - England
- Kelcorn Limited - England
- Kelmill Limited - England
- Kelpac Limited - England
- Saragusa Frozen Foods Limited - England

Kellogg Canada Inc. Subsidiaries
- Kellogg Australia Holdings Pty Ltd. - Australia
- Keeb Canada, Inc. - Canada

Kellogg Netherlands Holding B.V.
- Pringles Japan G.K. - Japan

Prime Bond Limited Subsidiaries
- Kellogg Europe Services Limited - Ireland
- Kellogg Lux VI S.a.r.l. - Luxemberg
- Kellogg Rus LLC - Russian Federation

Pringles Overseas Holdings S.a.r.l. Subsidiaries
- Pringles (Shanghai) Food Co. Ltd. - China
- Mass Food SAE - Egypt
-

Mass Food SAE Subsidiaries
- Mass Food International SAE - Egypt
- Mass Trade for Trade and Distribution SAE - Egypt

Pringles Japan G.K. - Japan
- Kellogg (Japan) G.K. - Japan

United Bakers LLC Subsidiaries
- LLC UNITED BAKERS-Pskov - Russian Federation

Kellogg Europe Trading Limited Subsidiaries
- Kellogg Med Gida Ticaret Limited Sirketi - Turkey (Joint Venture)

Kellogg Irish Holding Company Limited Subsidiaries
- Kellogg Lux III S.a.r.l. - Luxembourg

Kellogg Lux III S.a.r.l. Subsidiaries
- Kellogg Group S.a.r.l. - Luxembourg
- Kellogg Europe Finance Limited - Ireland

Kellogg Group S.a.r.l.
- Kellogg (Deutschland) GmbH - Germany
- Kellogg Company of South Africa (Pty) Limited - South Africa
- Kellogg Group, LLC - Delaware
- Kellogg Hellas Single Member Limited Liability Company - Greece

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- Kellogg Northern Europe GmbH - Germany
- Kellogg U.K. Holding Company Limited - England
- Kellogg's Produits Alimentaires, S.A.S. - France
- Nordisk Kellogg's ApS - Denmark
- Portable Foods Manufacturing Company Limited - England

Kellogg (Deutschland) GmbH Subsidiaries

- Kellogg (Schweiz) GmbH - Switzerland
- Kellogg (Osterreich) GmbH - Austria
- Kellogg Services GmbH - Austria
- Kellogg Services GmbH - Germany
- Kellogg Manufacturing GmbH & Co. KG - Germany
- Gebrueder Nielsen Reismuehlen und Staerke-Fabrik mit Beschraenkter Haftung - Germany

Kellogg U.K. Holding Company Limited Subsidiaries

- Kellogg Company of Ireland, Limited - Ireland
- Kellogg Espana, S.L. - Spain
- Kellogg Management Services (Europe) Limited - England
- Kellogg Manchester Limited - England
- Kellogg Marketing and Sales Company (UK) Limited - England
- Kellogg Supply Services (Europe) Limited - England

Kellogg's Produits Alimentaires, S.A.S.

- Kellogg Belgium Services Company bvba - Belgium

Kellogg Espana, S.L. Subsidiaries

- Kellogg Manufacturing Espana, S.L. - Spain

Kellogg Management Services (Europe) Limited Subsidiaries

- Kellogg European Support Services SRL - Romania

Kellogg Manchester Limited Subsidiaries

- KELF Limited - England

KELF Limited Subsidiaries

- Kellogg Talbot LLC - Delaware

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Exhibit 23.01

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-72312, 333-159303, 333-160537, 333-181377, 333-182641 and 333-205616) and the Registration Statements on Form S-8 (Nos. 333-56536, 333-88162, 333-109233, 333-109234, 333-109235, 333-109238, 333-158824, 333-158826, 333-188222, and 333-189638) of Kellogg Company of our report dated February 24, 2016 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Detroit, MI
February 24, 2016

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Exhibit 24.01

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, That I, the undersigned Director of Kellogg Company, a Delaware corporation, hereby appoint Gary H. Pilnick, Vice Chairman, Corporate Development and Chief Legal Officer of Kellogg Company, as my lawful attorney-in-fact and agent, to act on my behalf, with full power of substitution, in executing and filing the Company's Annual Report on Form 10-K for fiscal year ended January 2, 2016, and any exhibits, amendments and other documents related thereto, with the Securities and Exchange Commission.

Whereupon, I grant unto said Gary H. Pilnick full power and authority to perform all necessary and appropriate acts in connection therewith, and hereby ratify and confirm all that said attorney-in-fact and agent, or his substitute, may lawfully do, or cause to be done, by virtue hereof.

/s/ Stephanie A. Burns
Stephanie A. Burns

Dated: February 19, 2016

POWER OF ATTORNEY

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/s/ John T. Dillon
John T. Dillon

Dated: February 19, 2016

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/s/ Gordon Gund
Gordon Gund

Dated: February 19, 2016

POWER OF ATTORNEY

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/s/ Zachary Gund
Zachary Gund

Dated: February 19, 2016

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/s/ Donald R. Knauss
Donald R. Knauss

Dated: February 19, 2016

POWER OF ATTORNEY

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/s/ James M. Jenness
James M. Jenness

Dated: February 19, 2016

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/s/ Mary A. Laschinger
Mary A. Laschinger

Dated: February 19, 2016

POWER OF ATTORNEY

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/s/ Ann McLaughlin Korologos
Ann McLaughlin Korologos

Dated: February 19, 2016

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/s/ Cynthia H. Milligan
Cynthia H. Milligan

Dated: February 19, 2016

POWER OF ATTORNEY

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/s/ La June Montgomery Tabron
La June Montgomery Tabron

Dated: February 19, 2016

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/s/ Rogelio M. Rebolledo
Rogelio M. Rebolledo

Dated: February 19, 2016

POWER OF ATTORNEY

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Whereupon, I grant unto said Gary H. Pilnick full power and authority to perform all necessary and appropriate acts in connection therewith, and hereby ratify and confirm all that said attorney-in-fact and agent, or his substitute, may lawfully do, or cause to be done, by virtue hereof.

/s/ Carolyn Tastad
Carolyn Tastad

Dated: February 19, 2016

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POWER OF ATTORNEY

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Whereupon, I grant unto said Gary H. Pilnick full power and authority to perform all necessary and appropriate acts in connection therewith, and hereby ratify and confirm all that said attorney-in-fact and agent, or his substitute, may lawfully do, or cause to be done, by virtue hereof.

/s/ Noel Wallace
Noel Wallace

Dated: February 19, 2016

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Exhibit 31.1

CERTIFICATION

I, John A. Bryant, certify that:

1. I have reviewed this annual report on Form 10-K of Kellogg Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

_/s/ John A. Bryant____________________________
Name: John A. Bryant
Title: Chairman and Chief Executive Officer

Date: February 24, 2016

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Exhibit 31.2

CERTIFICATION

I, Ronald L. Dissinger, certify that:

1. I have reviewed this annual report on Form 10-K of Kellogg Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

__/s/ Ronald L. Dissinger________________________________
Name: Ronald L. Dissinger
Title: Senior Vice President and Chief Financial Officer

Date: February 24, 2016

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Exhibit 32.1

SECTION 1350 CERTIFICATION

I, John A. Bryant, President and Chief Executive Officer, Kellogg Company, hereby certify, on the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that

(1) the Annual Report on Form 10-K of Kellogg Company for the period ended January 2, 2016 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Kellogg Company.

__/s/ John A. Bryant________________________________
Name: John A. Bryant
Title: Chairman and Chief Executive Officer

A signed copy of this original statement required by Section 906 has been provided to Kellogg Company and will be retained by Kellogg Company and furnished to the Securities and Exchange Commission or its staff on request.

Date: February 24, 2016

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Exhibit 32.2

SECTION 1350 CERTIFICATION

I, Ronald L. Dissinger, Senior Vice President and Chief Financial Officer, Kellogg Company, hereby certify, on the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that

(1) the Annual Report on Form 10-K of Kellogg Company for the period ended January 2, 2016 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Kellogg Company.

__/s/ Ronald L. Dissinger____
Name: Ronald L. Dissinger
Title: Senior Vice President and Chief Financial Officer

A signed copy of this original statement required by Section 906 has been provided to Kellogg Company and will be retained by Kellogg Company and furnished to the Securities and Exchange Commission or its staff on request.
Date: February 24, 2016

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EXHIBIT V
DEFINITIVE PROXY STATEMENT ON FORM DEF 14A
FILED BY KELLOGG COMPANY ON MARCH 10, 2016

Morningstar® Document Research℠

FORM DEF 14A

KELLOGG CO - K

Filed: March 10, 2016 (period: April 29, 2016)

Official notification to shareholders of matters to be brought to a vote (Proxy)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant ☒
Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐	Preliminary Proxy Statement
☐	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
☒	Definitive Proxy Statement
☐	Definitive Additional Materials
☐	Soliciting Material Pursuant to § 240.14a-11(c) or §240.14a-12

KELLOGG COMPANY
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒	No fee required	
☐	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.	
	(1)	Title of each class of securities to which transaction applies:
	(2)	Aggregate number of securities to which transaction applies:
	(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
	(4)	Proposed maximum aggregate value of transaction:
	(5)	Total fee paid:
☐	Fee paid previously with preliminary materials	
☐	Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.	
	(1)	Amount Previously Paid:
	(2)	Form, Schedule or Registration Statement No.:
	(3)	Filing Party:
	(4)	Date Filed:

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KELLOGG COMPANY, BATTLE CREEK, MICHIGAN 49017-3534

Dear Shareowner:

It is my pleasure to invite you to attend the 2016 Annual Meeting of Shareowners of Kellogg Company. The meeting will be held at 1:00 p.m. Eastern Time on April 29, 2016 at the W.K. Kellogg Auditorium, 50 West Van Buren Street, Battle Creek, Michigan.

The following pages contain the formal Notice of the Annual Meeting and the Proxy Statement. Please review this material for information concerning the business to be conducted at the meeting and the nominees for election as Directors.

We are pleased to take advantage of the Securities and Exchange Commission rules that allow companies to furnish proxy materials to their shareowners on the Internet. We believe these rules allow us to provide our Shareowners with the information they need, while lowering the costs of delivery and reducing the environmental impact of our Annual Meeting.

Attendance at the Annual Meeting will be limited to Shareowners only. If you are a holder of record of Kellogg common stock and you plan to attend the meeting, please save your notice of electronic availability or proxy card, as the case may be, and bring it to the meeting to use as your admission ticket. If you plan to attend the meeting but your shares are not registered in your own name, you can obtain an admission ticket by visiting www.proxyvote.com and following the instructions provided. You will need the 16-digit control number included on your proxy card, voter instruction form, or notice. You can also request an admission ticket by writing to the following address: Kellogg Company Shareowner Services, One Kellogg Square, Battle Creek, MI 49017-3534. Evidence of your stock ownership, which you may obtain from your bank, stockbroker, etc., must accompany your letter. **Shareowners without tickets will only be admitted to the meeting upon verification of stock ownership.**

If any Shareowner needs special assistance at the meeting, please contact Shareowner Services at the address listed above.

Your vote is important. Whether or not you plan to attend the meeting, I urge you to vote your shares as soon as possible. You may vote your shares via a toll-free telephone number or over the Internet. If you received a paper copy of the proxy or voting instruction card by mail, you may sign, date and mail the card in the envelope provided.

Sincerely,

John Bryant
Chairman and Chief Executive Officer

March 10, 2016

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KELLOGG COMPANY

One Kellogg Square
Battle Creek, Michigan 49017-3534

NOTICE OF THE ANNUAL MEETING OF SHAREOWNERS
TO BE HELD APRIL 29, 2016

TO OUR SHAREOWNERS:

The 2016 Annual Meeting of Shareowners of Kellogg Company, a Delaware corporation, will be held at 1:00 p.m. Eastern Time on April 29, 2016 at the W.K. Kellogg Auditorium, 50 West Van Buren Street, Battle Creek, Michigan, for the following purposes:

1. To elect four Directors for a three-year term to expire at the 2019 Annual Meeting of Shareowners;

2. To vote on an advisory resolution to approve executive compensation;

3. To ratify the Audit Committee’s appointment of PricewaterhouseCoopers LLP for our 2016 fiscal year;

4. To consider and act upon a Shareowner proposal to recognize Kellogg's efforts regarding animal welfare, if properly presented at the meeting;

5. To consider and act upon a Shareowner proposal to adopt simple majority vote, if properly presented at the meeting; and

6. To take action upon any other matters that may properly come before the meeting, or any adjournments thereof.

Only Shareowners of record at the close of business on March 1, 2016 will receive notice of and be entitled to vote at the meeting or any adjournments. We look forward to seeing you there.

By Order of the Board of Directors,

Gary Pilnick

Vice Chairman, Corporate Development and Chief Legal Officer

March 10, 2016

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PROXY STATEMENT

FOR THE ANNUAL MEETING OF SHAREOWNERS
TO BE HELD ON FRIDAY, April 29, 2016

ABOUT THE MEETING

Information About this Proxy Statement.

Why You Received this Proxy Statement. You have received these proxy materials because our Board of Directors, which we refer to as the Board, is soliciting your proxy to vote your shares at the 2016 Annual Meeting of Shareowners of Kellogg to be held at 1:00 p.m. Eastern Time at the W.K. Kellogg Auditorium, 50 West Van Buren Street, in Battle Creek, Michigan, on Friday, April 29, 2016, or any adjournments thereof. This proxy statement includes information that we are required to provide to you under the rules of the Securities and Exchange Commission and that is designed to assist you in voting your shares. On March 10, 2016, we began to mail to our Shareowners of record as of the close of business on March 1, 2016, either a notice containing instructions on how to access this proxy statement and our annual report online or a printed copy of these proxy materials. If you own our common stock in more than one account, such as individually and also jointly with your spouse, you may receive more than one notice or set of these proxy materials. To assist us in saving money and to serve you more efficiently, we encourage you to have all your accounts registered in the same name and address by contacting our transfer agent, Wells Fargo Shareowner Services, at P.O. Box 64854, St. Paul, MN 55164-0854; phone number: (877) 910-5385.

Notice of Electronic Availability of Proxy Statement and Annual Report. As permitted by Securities and Exchange Commission rules, we are making this proxy statement and our annual report available to our Shareowners electronically via the Internet. The notice of electronic availability contains instructions on how to access this proxy statement and our annual report and vote online. If you received a notice by mail, you will not receive a printed copy of the proxy materials in the mail. Instead, the notice instructs you on how to access and review all of the important information contained in the proxy statement and annual report. The notice also instructs you on how you may submit your proxy over the Internet or by telephone. If you received a notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials contained on the notice.

Summary Processing. The Securities and Exchange Commission's rules permit us to print an individual's multiple accounts on a single notice or set of annual meeting materials. This printing method is referred to as "summary processing" and may result in cost savings. To take advantage of this opportunity, we have summarized on one notice or set of annual meeting materials all of the accounts registered with the same tax identification number or duplicate name and address, unless we received contrary instructions from the impacted Shareowner prior to the mailing date. We agree to deliver promptly, upon written or oral request, a separate copy of the notice or annual meeting materials, as requested, to any Shareowner to which a single copy of those documents was delivered. If you prefer to receive separate copies of the notice or annual meeting materials, contact Broadridge Financial Solutions, Inc. at (800) 542-1061 or in writing at Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717.

If you are currently a Shareowner sharing an address with another Shareowner and wish to receive only one copy of future notices or annual meeting materials for your household, please contact Broadridge at the above phone number or address.

Who Can Vote — Record Date. The record date for determining Shareowners entitled to vote at the Annual Meeting is March 1, 2016. Each of the approximately 352,236,571 shares of Kellogg common stock issued and outstanding on that date is entitled to one vote at the Annual Meeting.

How to Vote — Proxy Instructions. If you received a notice of electronic availability, you cannot vote your shares by filling out and returning the notice. The notice, however, provides instructions on how to vote by Internet, by telephone or by requesting and returning a paper proxy card or voting instruction card.

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If your shares are registered directly in your name with our transfer agent, you are considered, with respect to those shares, the shareowner of record. As the shareowner of record, you have the right to vote in person at the meeting. If your shares are held in a brokerage account or by another nominee or trustee, you are considered the beneficial owner of shares held in "street name." As the beneficial owner, you are also invited to attend the meeting. Since a beneficial owner is not the shareowner of record, you may not vote these shares in person at the meeting unless you obtain a "legal proxy" from your broker, nominee or trustee that holds your shares, giving you the right to vote the shares at the meeting.

Whether you hold shares directly as a registered shareowner of record or beneficially in street name, you may vote without attending the meeting. You may vote by granting a proxy or, for shares held beneficially in street name, by submitting voting instructions to your broker, nominee or trustee. In most cases, you will be able to do this by telephone, by using the Internet or by mail if you received a printed set of the proxy materials.

By Telephone or Internet — You may submit your proxy by following the instructions provided in the notice of electronic availability, or if you received a printed version of the proxy materials by mail, by following the instructions provided with your proxy materials and on your proxy card or voting instruction card. The telephone and Internet voting procedures have been set up for your convenience and have been designed to authenticate your identity, to allow you to give voting instructions, and to confirm that those instructions have been recorded properly. The deadline for voting by telephone or via the Internet is 11:59 p.m. Eastern Time on Thursday, April 28, 2016.

By Mail — If you received printed proxy materials, you may submit your proxy by mail by signing your proxy card if your shares are registered or, for shares held beneficially in street name, by following the voting instructions included by your broker, nominee or trustee, and mailing it in the enclosed envelope.

If you wish to vote using the proxy card, complete, sign, and date your proxy card and return it to us by April 28, 2016.

Whether you vote by telephone, over the Internet or by mail, you may specify: whether your shares should be voted for all, some or none of the nominees for Director (Proposal 1); whether you approve, disapprove, or abstain from voting on the advisory resolution to approve Kellogg's executive compensation (Proposal 2); whether you approve, disapprove, or abstain from voting on the proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2016 (Proposal 3); and whether you approve, disapprove, or abstain from voting on the Shareowner proposals, if properly presented at the meeting (Proposals 4 and 5).

When a properly executed proxy is received, the shares represented thereby, including shares held under our Dividend Reinvestment Plan, will be voted by the persons named as the proxy according to each Shareowner's directions. Proxies will also be considered to be voting instructions to the applicable Trustee with respect to shares held in accounts under our Savings & Investment Plans and other applicable employee benefit plans.

If the proxy is properly executed but you do not specify how you want to vote your shares on your proxy card or voting instruction card, or voting by telephone or over the Internet, we will vote them "For" the election of all nominees for Director as set forth under Proposal 1 — Election of Directors below, "For" Proposals 2, 3 and 4, and "Against" Proposal 5, and otherwise at the discretion of the persons named in the proxy card.

Revocation of Proxies. If you are a shareowner of record, you may revoke your proxy at any time before it is exercised in any of three ways:

- by submitting written notice of revocation to our Secretary;
- by submitting another proxy by telephone, via the Internet or by mail that is later dated and, if by mail, that is properly signed; or
- by voting in person at the meeting.

If your shares are held in street name, you must contact your broker, nominee or trustee to revoke and vote your proxy.

Quorum. A quorum of Shareowners is necessary to hold a valid meeting. A quorum will exist if the holders representing a majority of the votes entitled to be cast by the Shareowners at the Annual Meeting are present, in person or by proxy. Broker "non-votes" and abstentions are counted as present at the Annual Meeting for purposes of determining whether a quorum exists. A broker "non-vote" occurs when a nominee, such as a bank or broker, holding shares for a

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beneficial owner, does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. Under current New York Stock Exchange rules, nominees would have discretionary voting power for ratification of PricewaterhouseCoopers LLP (Proposal 3), but not for voting on the election of Directors (Proposal 1), the advisory resolution to approve Kellogg's executive compensation (Proposal 2), or the Shareowner proposals (Proposals 4 and 5).

Required Vote. Our Board has adopted a majority voting policy which applies to the election of Directors. Under this policy, any nominee for Director who receives a greater number of votes "withheld" from his or her election than votes "for" such election is required to offer his or her resignation following certification of the Shareowner vote. Our Board's Nominating and Governance Committee would then consider the offer of resignation and make a recommendation to our independent Directors as to the action to be taken with respect to the offer. This policy does not apply in contested elections. For more information about this policy, see "Corporate Governance — Majority Voting for Directors; Director Resignation Policy."

Under Delaware law, a nominee who receives a plurality of the votes cast at the Annual Meeting will be elected as a Director (subject to the resignation policy described above). The "plurality" standard means the nominees who receive the largest number of "for" votes cast are elected as Directors. Thus, the number of shares not voted for the election of a nominee (and the number of "withhold" votes cast with respect to that nominee) will not affect the determination of whether that nominee has received the necessary votes for election under Delaware law. However, the number of "withhold" votes with respect to a nominee will affect whether our Director resignation policy will apply to that individual. If any nominee is unable or declines to serve, proxies will be voted for the balance of those named and for such person as shall be designated by the Board to replace any such nominee. However, the Board does not anticipate that this will occur.

The affirmative vote of the holders representing a majority of the shares present and entitled to vote at the Annual Meeting is necessary to approve the advisory resolution on Kellogg's executive compensation (Proposal 2), to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal 2016 (Proposal 3), and to approve the Shareowner proposals (Proposals 4 and 5).

Shares present but not voted because of abstention will have the effect of a "no" vote on Proposals 2 through 5. If you do not provide your broker or other nominee with instructions on how to vote your "street name" shares, your broker or nominee will not be permitted to vote them on non-routine matters (a broker "non-vote") such as Proposals 1, 2, 4 and 5. Shares subject to a broker "non-vote" will not be considered entitled to vote with respect to Proposals 1, 2, 4 and 5, and will have no effect on the outcome of Proposals 1, 2, 4 and 5. **Please note that brokers may not vote your shares on the election of directors in the absence of your specific instructions as to how to vote. We encourage you to provide instructions to your broker regarding the voting of your shares.**

Other Business. We do not intend to bring any business before the meeting other than that set forth in the Notice of the Annual Meeting and described in this proxy statement. However, if any other business should properly come before the meeting, the persons named in the proxy card intend to vote in accordance with their best judgment on such business and on any matters dealing with the conduct of the meeting pursuant to the discretionary authority granted in the proxy.

Costs. We pay for the preparation and mailing of the Notice of the Annual Meeting and proxy statement. We have also made arrangements with brokerage firms and other custodians, nominees, and fiduciaries for forwarding proxy-soliciting materials to the beneficial owners of the Kellogg common stock at our expense. In addition, we have retained D.F. King & Co., Inc. to aid in the solicitation of proxies by mail, telephone, facsimile, e-mail and personal solicitation. For these services, we will pay D.F. King & Co., Inc. a fee of $15,500, plus reasonable expenses.

Directions to Annual Meeting. To obtain directions to attend the Annual Meeting and vote in person, please contact Investor Relations at (269) 961-2800 or at investor.relations@kellogg.com.

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SECURITY OWNERSHIP

Five Percent Holders. The following table shows each person who, based upon their most recent filings or correspondence with the SEC, beneficially owns more than 5% of our common stock.

Beneficial Owner/Address	Shares Beneficially Owned		Percent of Class on December 31, 2015
W.K. Kellogg Foundation Trust(1) c/o The Bank of New York Mellon Corporation One Wall Street New York, NY 10286	74,412,798	(2)	21.3%
KeyCorp 127 Public Square Cleveland, OH 44114-1306	27,155,582	(3)	7.8%
Gordon Gund 14 Nassau Street Princeton, NJ 08542-4523	27,012,860	(4)	7.7%

(1) According to a Schedule 13G/A filed with the SEC on February 11, 2016, the W.K. Kellogg Foundation Trust (the "Kellogg Trust") shares voting and investment power with the W.K. Kellogg Foundation (the "Kellogg Foundation") and the trustees of the Kellogg Trust with respect to 69,774,190 shares of Kellogg Company, or 19.9% of our outstanding shares on December 31, 2015. As of that date, the trustees of the Kellogg Trust were John Bryant, Fred Keller, La June Montgomery Tabron and The Bank of New York Mellon Trust Company, N.A. The Kellogg Foundation, a Michigan charitable corporation, is the sole beneficiary of the Kellogg Trust. Under the agreement governing the Kellogg Trust (the "Agreement"), at least one trustee of the Kellogg Trust must be a member of the Kellogg Foundation's Board, and one member of our Board must be a trustee of the Kellogg Trust. The Agreement provides if a majority of the trustees of the Kellogg Trust (which majority must include the corporate trustee) cannot agree on how to vote the Kellogg stock, the Kellogg Foundation has the power to direct the voting of such stock. With certain limitations, the Agreement also provides that the Kellogg Foundation has the power to approve successor trustees, and to remove any trustee of the Kellogg Trust. The shares of Kellogg Company owned directly by Mr. Bryant and Ms. Montgomery Tabron are reflected in the Officer and Director Stock Ownership table below.

(2) According to a Schedule 13G/A filed with the SEC on February 4, 2016, The Bank of New York Mellon Corporation ("BONYMC") has sole voting power for 3,805,626 shares, shared voting power for 69,892,115 shares (including those shares beneficially owned by the Kellogg Trust), sole investment power for 4,438,446 shares and shared investment power for 69,918,273 shares (including those shares beneficially owned by the Kellogg Trust). BONYMC, as parent holding company for The Bank of New York Mellon Trust Company, N.A., ("BONY"), as trustee of the Kellogg Trust, shares voting and investment power with the other three trustees with respect to the 69,774,190 shares owned by the Kellogg Trust, which shares are reflected in BONYMC's totals above. The remaining shares not owned by the Kellogg Trust that are disclosed in the table above represent shares beneficially owned by BONYMC and BONY unrelated to the Kellogg Trust.

(3) According to a Schedule 13G/A filed with the SEC on February 12, 2016, KeyCorp, as trustee for certain Gund family trusts, including the trusts discussed under (4) below, as well as other trusts, has sole voting power for 51,833 shares, shared voting power for 6,764 shares, sole investment power for 27,118,705 shares and shared investment power for 30,667 shares.

(4) According to a Schedule 13G/A filed with the SEC on February 9, 2016, Gordon Gund has sole voting power for 26,992,753 shares, shared voting power for 20,107 shares, sole investment power for 105,532 shares and shared investment power for 20,107 shares. Of the shares over which Gordon Gund has sole voting power, 26,887,221 are held by various trusts for the benefit of certain members of the Gund family, as to which shares Gordon Gund disclaims beneficial ownership.

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Officer and Director Stock Ownership. The following table shows the number of shares of Kellogg common stock beneficially owned as of January 15, 2016, by each Director, each executive officer named in the Summary Compensation Table and all Directors and executive officers as a group.

Name(10)	Shares(1)	Options(2)	Deferred Stock Units(3)	Total Beneficial Ownership(4)	Percentage
Non-NEO Directors					
Stephanie A. Burns	5,280	0	1,532	6,812	*
John Dillon(5)	70,481	10,000	0	80,481	*
Gordon Gund(6)	26,982,272	10,000	82,353	27,074,625	7.7%
Zachary Gund(7)	775,208	0	1,789	776,997	*
Jim Jenness	118,010	5,000	11,787	134,797	*
Donald Knauss	24,191	6,931	0	31,122	*
Mary Laschinger	8,948	0	5,382	14,330	*
Ann McLaughlin Korologos	59,244	10,000	22,005	91,249	*
Cynthia Milligan	8,398	0	0	8,398	*
La June Montgomery Tabron(8)	5,280	0	0	5,280	*
Rogelio Rebolledo	21,832	2,534	0	24,366	*
Carolyn M. Tastad	0	0	0	0	*
Noel R. Wallace	0	0	0	0	*
Named Executive Officers					
John Bryant (8)	270,895	1,264,399	7,732	1,543,026	*
Paul Norman	64,469	410,066	0	474,535	*
Ron Dissinger	33,726	299,300	0	333,026	*
Alistair Hirst	30,985	106,099	0	137,084	*
Gary Pilnick	52,349	283,433	0	335,782	*
All Directors and executive officers as a group (19 persons)(9)	28,532,769	2,528,529	132,580	31,193,878	8.8%

* Less than 1%.

(1) Represents the number of shares beneficially owned, excluding shares which may be acquired through exercise of stock options and units held under our deferred compensation plans. Includes the following number of shares held in Kellogg's Grantor Trust for Directors and Executives related to the annual grants of deferred shares for Non-Employee Directors, which shares are subject to restrictions on voting and investment: Dr. Burns, 5,280 shares; Mr. Dillon, 42,669 shares; Mr. Gordon Gund, 54,499 shares; Mr. Zachary Gund, 3,351 shares; Mr. Jenness, 14,648 shares; Mr. Knauss, 24,191 shares; Ms. Laschinger, 8,948 shares; Ms. McLaughlin Korologos, 54,199 shares; Ms. Milligan, 7,939; Ms. Montgomery Tabron, 5,280 shares; Mr. Rebolledo, 21,832 shares; and all Directors as a group, 242,836 shares.

(2) Represents options that were exercisable on January 15, 2016 and options that become exercisable within 60 days of January 15, 2016.

(3) Represents the number of common stock units held under our deferred compensation plans as of January 15, 2016. For additional information, refer to "2015 Director Compensation and Benefits — Elective Deferral Program" and "Compensation Discussion and Analysis — Compensation Policies — Deductibility of Compensation and Other Related Issues" for a description of these plans.

(4) None of the shares listed have been pledged as collateral.

(5) Includes 250 shares held for the benefit of a son, over which shares Mr. Dillon disclaims beneficial ownership.

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(6) Includes: (i) 26,887,221 shares held by various trusts for the benefit of certain members of the Gund family over which shares Mr. Gordon Gund has sole voting power; (ii) 10,107 shares held in trusts, of which Mr. Gordon Gund and his wife are co-trustees and share voting and investment power; and (iii) 10,000 shares owned by Mr. Gordon Gund's wife. Gordon Gund disclaims beneficial ownership of the shares beneficially owned by the Gund family trusts and his wife.

(7) Includes: (i) 218,657 shares held by a trust for the benefit of Mr. Zachary Gund and certain members of his family, of which Mr. Zachary Gund is one of several trustees; (ii) 9,200 shares held in a trust for the benefit of certain members of Mr. Zachary Gund's family, of which a family member of Mr. Zachary Gund's is the trustee; and (iii) 544,000 shares held in family partnerships, the partners of which include a trust for the benefit of Mr. Zachary Gund and he serves as a manager of these partnerships. As a result of these relationships, Mr. Zachary Gund may have voting and dispositive power over all such shares. Mr. Zachary Gund disclaims beneficial ownership of these shares except to the extent of his pecuniary interest.

(8) Does not include shares owned by the Kellogg Trust, as to which Mr. Bryant and Ms. Montgomery Tabron, as trustees of the Kellogg Trust as of the date of this table, share voting and investment power, or shares as to which the Kellogg Trust or the Kellogg Foundation have a current beneficial interest.

(9) Includes 26,887,221 shares held by various trusts, over which the applicable Director has voting power; 10,107 shares held in trusts, of which the applicable Director and spouse share voting and investment power; 10,000 shares owned by the applicable Director's spouse; 250 shares owned by or held for the benefit of children, over which the applicable Director, or executive officer disclaims beneficial ownership; 218,657 shares held by a trust for the benefit of the applicable Director and certain family members, of which the applicable Director disclaims beneficial ownership except to the extent of the applicable Director's pecuniary interest; 9,200 shares held in a trust for the benefit of certain family members of the applicable Director, of which the applicable Director disclaims beneficial ownership except to the extent of the applicable Director's pecuniary interest; 544,000 shares held in family partnerships, of which the applicable Director disclaims beneficial ownership except to the extent of the applicable Director's pecuniary interest; and 8,110 shares held in our Savings & Investment Plans; and 13,357 restricted shares, which contain some restrictions on investment.

(10) Dr. Carson resigned from the Board during 2015.

Section 16(a) Beneficial Ownership Reporting Compliance. Section 16(a) of the Securities Exchange Act of 1934 requires our Directors, executive officers, and greater-than-10% Shareowners to file reports with the SEC. SEC regulations require us to identify anyone who filed a required report late during the most recent fiscal year. Based on our review of these reports and written certifications provided to us, we believe that the filing requirements for all of these reporting persons were complied with during fiscal 2015.

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CORPORATE GOVERNANCE

Board-Adopted Corporate Governance Guidelines. We operate under corporate governance principles and practices (the "Corporate Governance Guidelines") that are designed to maximize long-term Shareowner value, align the interests of the Board and management with those of our Shareowners and promote high ethical conduct among our Directors and employees. The Corporate Governance Guidelines include the following:

- A majority of the Directors, and all of the members of the Audit Committee, Compensation and Talent Management Committee ("C&T Committee"), and Nominating and Governance Committee, are required to meet the independence requirements of the New York Stock Exchange and the Securities and Exchange Commission.
- One of the Directors is designated a Lead Director, who chairs and may call executive session meetings of the independent, non-employee Directors, approves proposed meeting agendas and schedules, and establishes a method for Shareowners and other interested parties to communicate with the Board.
- The Board reviews CEO succession planning at least once per year.
- The Board and each Board committee have the power to hire independent legal, financial or other advisors as they may deem necessary, at our expense.
- Non-employee Directors meet in executive session at least three times annually.
- The Board and Board committees conduct annual self-evaluations.
- The independent members of the Board use the recommendations from the Nominating and Governance Committee and C&T Committee to conduct an annual review of the CEO's performance and determine the CEO's compensation.
- Non-employee Directors who change their principal responsibility or occupation from that held when they were elected shall offer his or her resignation for the Board to consider the continued appropriateness of Board membership under the circumstances.
- Directors have access to Kellogg officers and employees.
- Continuing education is provided to Directors consistent with our Board education policy.
- No Director may be nominated for a new term if he or she would be seventy-two or older at the time of election, unless the Board determines that it is in the best interest of Kellogg to re-nominate the independent Director for additional terms due to his or her unique capabilities or special circumstances.
- No Director shall serve as a director, officer or employee of a competitor.
- No Director should serve on more than four other boards of public companies in addition to Kellogg.
- All Directors are expected to comply with stock ownership guidelines for Directors, under which they are generally expected to hold at least five times their annual cash retainer in stock and stock equivalents.

Board Leadership Structure; Communication with the Board. The following section describes Kellogg's Board leadership structure, the reasons why the structure is in place at this time, the roles of various positions, and related key governance practices.

Our Board is composed of twelve independent Directors, and Mr. Bryant, our current Chairman of the Board and CEO, and Mr. Jenness (who was our Executive Chairman until June 2014). Two of our independent directors, Mr. Gordon Gund and Ms. Ann McLaughlin Korologos, will be retiring at our 2016 Annual Meeting of Shareowners. In 2015, the Board had six standing Committees: (i) Audit, (ii) C&T, (iii) Nominating and Governance, (iv) Manufacturing, (v) Social Responsibility and Public Policy, and (vi) Executive. The Audit, C&T, and Nominating and Governance committees are composed solely of independent Directors, each with a different independent Director serving as committee chair. We

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believe that the mix of experienced independent and management Directors that make up our Board, along with the independent role of our Lead Director and our independent Board Committee composition, benefits Kellogg and its Shareowners.

The Board believes that it is beneficial to Kellogg and its Shareowners to designate one of the Directors as a Lead Director. The Lead Director serves a variety of roles, including reviewing and approving Board agendas, meeting materials and schedules to confirm the appropriate Board and committee topics are reviewed and sufficient time is allocated to each; serving as liaison between the Chairman and CEO and non-management Directors (however, each Director has direct and regular access to the Chairman and CEO); presiding at the executive sessions of independent Directors and at all other meetings of the Board of Directors at which the Chairman of the Board is not present; and calling an executive session of independent Directors at any time, consistent with the Corporate Governance Guidelines. Gordon Gund, an independent Director and the Chairman of the Nominating and Governance Committee, is currently our Lead Director. Mr. Gordon Gund will be retiring at our 2016 Annual Meeting of Shareowners. Don Knauss, an independent Director, will be assuming the role of Lead Director and Chairman of the Nominating and Governance Committee upon Mr. Gordon Gund's retirement. Mr. Knauss joined the Nominating and Governance Committee in April 2015 and, since that time, Mr. Gordon Gund and Mr. Knauss have worked together to ensure an orderly transition of the roles of Lead Director and Chairman of the Nominating and Governance Committee. Mr. Knauss will be an effective Lead Director for Kellogg due to, among other things, his independence, his board leadership experience as Chairman and Executive Chairman of The Clorox Company, strong strategic and financial acumen, commitment to ethics, extensive knowledge of the retail environment and branded consumer products, and deep understanding of Kellogg and its business obtained while serving as a Kellogg Director. Mr. Gordon Gund may be contacted at gordon.gund@kellogg.com until April 29, 2016 and Mr. Knauss may be contacted at donald.knauss@kellogg.com. Any communications which Shareowners or interested parties may wish to send to the Board may be directly sent to Mr. Gordon Gund until April 29, 2016 or to Mr. Knauss thereafter at these e-mail addresses.

The Board regularly reviews the Company's strategy, including reviews of key components of the strategy throughout the year. In 2015, the Board participated in the development of the 2020 Growth Strategy, which was publicly presented at Kellogg's 2015 "Day at K" Investor Day in November 2015. The Company also regularly communicates with its Shareowners through its Shareowner outreach program. A regular topic in those discussions is Company strategy. Shareowner insights are provided to the full Board and its Committees as part of its decision making process.

With respect to the roles of Chairman and CEO, the Corporate Governance Guidelines provide that the roles may be separated or combined, and the Board exercises its discretion in combining or separating these positions as it deems appropriate in light of prevailing circumstances. Mr. Bryant became CEO in January 2011 and for the first three years of his tenure as CEO, the roles of Chairman and CEO were separate. On July 1, 2014, the Chairman and CEO roles were combined, with the Board electing Mr. Bryant as Chairman of the Board. The Board believes that the combined roles of Chairman and CEO, together with the separate role of our Lead Director, is currently the most effective leadership structure for Kellogg for many reasons, including Mr. Bryant's extensive knowledge of our business, operations, and risks acquired in his various roles at Kellogg including as CEO, which gives him the insight necessary to combine the responsibilities of strategic development along with management of day-to-day operations and execution. As stated in the Corporate Governance Guidelines, the Board believes that the combination or separation of these offices should continue to be considered as part of the succession planning process.

Our Board conducts an annual evaluation to determine whether it and its Committees are functioning effectively. As part of this annual self-evaluation, the Board evaluates whether the current leadership structure continues to be appropriate for Kellogg and its Shareowners. Our Corporate Governance Guidelines provide the flexibility for our Board to modify our leadership structure in the future as appropriate. We believe that Kellogg, like many U.S. companies, has been well-served by this flexible leadership structure.

Board Oversight of Enterprise Risk. The Board utilizes our Enterprise Risk Management ("ERM") process to assist in fulfilling its oversight of our risks. Management, who is responsible for day-to-day risk management, conducts a formal risk assessment of Kellogg's business annually. The risk assessment process is global in nature and has been developed to identify and assess Kellogg's current and emerging risks, including the nature of the risk, as well as to identify steps to mitigate and manage the controllable aspects of each risk. Several hundred of our key business leaders, functional heads and other managers are surveyed and/or interviewed to develop this information.

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While risk oversight is a full Board responsibility, the responsibility for monitoring the ERM process has been delegated to the Audit Committee. As such, one of the leaders of the ERM process is the Vice President, Internal Audit, who reports directly to the Chair of the Audit Committee. The Audit Committee and the full Board at each of their regularly scheduled meetings receive an update on the key enterprise risks, including current status and action items.

The results of the risk assessment are reviewed with the Audit Committee and the full Board. The centerpiece of the assessment is the discussion of key risks which includes the potential magnitude and likelihood of each risk. As part of the process for assessing each risk, management identifies the nature of the risk, the senior executive responsible for managing the risk, the potential impact of the risk, management's initiatives to manage the risk, the most recent Board or Committee update, and the timing of the next scheduled Board or Committee review.

The results of the risk assessment are then integrated into the Board's processes. Oversight responsibility for each risk is allocated among the full Board and its Committees, and specific Board and Committee agendas are developed accordingly. Each Committee chair works directly with Kellogg's key senior executive responsible for the matters allocated to the Committee to develop agenda topics, review materials to be discussed with the Committee, and otherwise discuss those topics relating to the particular Committee. Through this process, each key risk is reviewed at least annually, with many topics reviewed on several occasions throughout the year.

Due to the dynamic nature of risk and the business environment generally, at every Audit Committee meeting, the Company provides a status report on all key enterprise risks, and periodically provides a more in depth report on select topics. In addition, adjustments are made to Board and Committee agendas throughout the year so that enterprise risks are reviewed at the relevant times. This process facilitates the Board's ability to fulfill its oversight responsibilities of Kellogg's risks.

Majority Voting for Directors; Director Resignation Policy. In an uncontested election of Directors (that is, an election where the number of nominees is equal to the number of seats open) any nominee for Director who receives a greater number of votes "withheld" from his or her election than votes "for" such election shall promptly tender his or her resignation to the Nominating and Governance Committee (following certification of the Shareowner vote) for consideration in accordance with the following procedures.

The Nominating and Governance Committee would promptly consider such resignation and recommend to the Qualified Independent Directors (as defined below) the action to be taken with respect to such offered resignation, which may include: (1) accepting the resignation; (2) maintaining the Director but addressing what the Qualified Independent Directors believe to be the underlying cause of the withheld votes; (3) determining that the Director will not be renominated in the future for election; or (4) rejecting the resignation. The Nominating and Governance Committee would consider all relevant factors including, without limitation: (a) the stated reasons why votes were withheld from such Director; (b) any alternatives for curing the underlying cause of the withheld votes; (c) the tenure and qualifications of the Director; (d) the Director's past and expected future contributions to Kellogg; (e) our Director criteria; (f) our Corporate Governance Guidelines; and (g) the overall composition of the Board, including whether accepting the resignation would cause Kellogg to fail to meet any applicable SEC or NYSE requirement.

The Qualified Independent Directors would act on the Nominating and Governance Committee's recommendation no later than 90 days following the date of the Shareowners' meeting where the election occurred. In considering the Nominating and Governance Committee's recommendation, the Qualified Independent Directors would consider the factors considered by the Nominating and Governance Committee and such additional information and factors the Board believes to be relevant. Following the Qualified Independent Directors' decision, Kellogg would promptly disclose in a current report on Form 8-K the decision whether to accept the resignation as tendered (providing a full explanation of the process by which the decision was reached or, if applicable, the reasons for rejecting the tendered resignation).

To the extent that a resignation is accepted, the Nominating and Governance Committee would recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board.

Any Director who tenders his or her resignation pursuant to this provision would not participate in the Nominating and Governance Committee's recommendation or Qualified Independent Directors' consideration regarding whether to accept

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the tendered resignation. Prior to voting, the Qualified Independent Directors would afford the Director an opportunity to provide any information or statement that he or she deems relevant. If a majority of the members of the Nominating and Governance Committee received a greater number of votes "withheld" from their election than votes "for" their election at the same election, then the remaining Qualified Independent Directors who are on the Board who did not receive a greater number of votes "withheld" from their election than votes "for" their election (or who were not standing for election) would consider the matter directly or may appoint a Board committee amongst themselves solely for the purpose of considering the tendered resignations that would make the recommendation to the Board whether to accept or reject them.

For purposes of this policy, the term "Qualified Independent Directors" means:

- All Directors who (1) are independent Directors (as defined in accordance with the NYSE Corporate Governance Rules) and (2) are not required to offer their resignation in accordance with this policy.

- If there are fewer than three independent Directors then serving on the Board who are not required to offer their resignations in accordance with this policy, then the Qualified Independent Directors shall mean all of the independent Directors and each independent Director who is required to offer his or her resignation in accordance with this Policy shall recuse himself or herself from the deliberations and voting only with respect to his or her individual offer to resign.

Director Independence. The Board has determined that all current Directors (other than Mr. Bryant and Mr. Jenness) are independent based on the following standards: (a) no entity (other than a charitable entity) of which such a Director is an employee in any position or any immediate family member (as defined) is an executive officer, made payments to, or received payments from, Kellogg and its subsidiaries in any of the 2015, 2014, or 2013 fiscal years in excess of the greater of (1) $1,000,000 or (2) two percent of that entity's annual consolidated gross revenues; (b) no such Director, or any immediate family member employed as an executive officer of Kellogg or its subsidiaries, received in any twelve month period within the last three years more than $120,000 per year in direct compensation from Kellogg or its subsidiaries, other than Director and committee fees and pension or other forms of deferred compensation for prior service not contingent in any way on continued service; (c) Kellogg did not employ such Director in any position, or any immediate family member as an executive officer, during the past three years; (d) no such Director was a current partner or employee of a firm that is Kellogg's internal or external auditor ("Auditor"), no immediate family member of such Director was a current partner of the Auditor or an employee of the Auditor who personally worked on our audit, and no Director or immediate family member of such Director was during the past three years a partner or employee of the Auditor and personally worked on our audit within that time; (e) no such Director or immediate family member served as an executive officer of another company during the past three years at the same time as a current executive officer of Kellogg served on the compensation committee of such company; and (f) no other material relationship exists between any such Director and Kellogg or our subsidiaries.

The Board also considers from time to time commercial ordinary-course transactions as it assesses independence status, including transactions relating to selling product and marketing arrangements. The Board has concluded that these transactions did not impair Director independence for a variety of reasons including that the amounts in question were considerably under the thresholds set forth in our independence standards and the relationships were not deemed material.

Shareowner Recommendations for Director Nominees. The Nominating and Governance Committee will consider Shareowner nominations for membership on the Board. For the 2017 Annual Meeting of Shareowners, nominations may be submitted to the Office of the Secretary, Kellogg Company, One Kellogg Square, Battle Creek, Michigan 49017, which will forward them to the Chairman of the Nominating and Governance Committee. Recommendations must be in writing and we must receive the recommendation not earlier than November 10, 2016 and not later than December 10, 2016. Recommendations must also include certain other requirements specified in our bylaws.

When filling a vacancy on the Board, the Nominating and Governance Committee identifies the desired skills and experience of a new Director and nominates individuals who it believes can strengthen the Board's capabilities and further diversify the collective experience represented by the then-current Directors. The Nominating and Governance Committee may, as it has done in the past, engage third parties to assist in the search and provide recommendations. Also, Directors are generally asked to recommend candidates for the position. The candidates would be evaluated based on the process outlined

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in the Corporate Governance Guidelines and the Nominating and Governance Committee charter, and the same process would be used for all candidates, including candidates recommended by Shareowners.

Shareowner Nomination of Director Candidates for Inclusion in Proxy Statement for Annual Meeting. In February 2016, our Board amended our bylaws to implement proxy access. As amended, our bylaws permit a Shareowner, or a group of up to 20 Shareowners, owning 3% or more of the Company's outstanding common stock continuously for at least three years to nominate and include in our proxy materials director candidates constituting up to the greater of two individuals or 20% of the Board, provided that the Shareowner(s) and the nominee(s) satisfy the requirements specified in the bylaws. For the 2017 Annual Meeting of Shareowners, nominations may be submitted to the Office of the Secretary, Kellogg Company, One Kellogg Square, Battle Creek, Michigan 49017-3534. Any such nomination must be received by us not earlier than October 11, 2016 and not later than November 10, 2016. Any such nomination must meet the other requirements set forth in our bylaws.

Attendance at Annual Meetings. All incumbent Directors are expected to attend the Annual Meeting of Shareowners. All of our then incumbent Directors attended the 2015 Annual Meeting of Shareowners.

Code of Conduct/Ethics. We have adopted the Code of Conduct for Kellogg Company Directors and Global Code of Ethics for Kellogg Company employees (including the CEO, CFO, other named executive officers, and corporate controller). Any amendments to or waivers of the Global Code of Ethics applicable to our CEO, CFO or corporate controller will be posted on www.kelloggcompany.com. There were no amendments to or waivers of the Global Code of Ethics in 2015.

Availability of Corporate Governance Documents. Copies of the Corporate Governance Guidelines, the Charters of the Audit, C&T, and Nominating and Governance Committees of the Board, the Code of Conduct for Kellogg Company Directors, and Global Code of Ethics for Kellogg Company employees can be found on the Kellogg Company website at www.kelloggcompany.com under "Investor Relations", then "Corporate Governance." Shareowners may also request a free copy of these documents from: Kellogg Company Consumer Affairs, P.O. Box CAMB, Battle Creek, Michigan 49016 (phone: (800) 962-1413), the Investor Relations Department at that same address (phone: (269) 961-2800) or investor.relations@kellogg.com.

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BOARD AND COMMITTEE MEMBERSHIP

The Board routinely reviews Board composition to ensure that it has the right balance of skills to fulfill its oversight obligations for Shareowners. As part of that process, the Nominating and Governance Committee and the Board consider current tenure and potential retirements. Over the last several years our Board has been refreshing naturally, including five new Directors since the beginning of 2014.

The Board had the following standing committees in 2015: (i) Audit; (ii) C&T; (iii) Nominating and Governance; (iv) Manufacturing; (v) Social Responsibility and Public Policy; and (vi) Executive.

The Board held ten meetings in 2015. All of the incumbent Directors attended at least 75% of the total number of meetings of the Board and of all Board committees of which the Directors were members during 2015 that were held while such Directors were on the Board.

The table below provides 2015 membership and meeting information for each Board committee as of January 2, 2016 (last day of fiscal year):

Name(4)	Audit	Compensation and Talent Management	Nominating and Governance	Manufacturing	Social Responsibility and Public Policy	Executive
John Bryant(1)						Chair
Stephanie A. Burns	✓		✓	✓		
John Dillon	✓	Chair	✓	✓		✓
Gordon Gund		✓	Chair			✓
Zachary Gund	✓			✓		
Jim Jenness				✓	✓	
Don Knauss	✓		✓	Chair		✓
Mary Laschinger	✓		✓	✓		
Ann McLaughlin Korologos		✓	✓		Chair	✓
Cynthia Milligan		✓			✓	
La June Montgomery Tabron				✓	✓	
Rogelio Rebolledo	Chair	✓				✓
Carolyn M. Tastad(2)		✓				
Noel R. Wallace(3)	✓					
2015 Meetings Held	5	4	5	4	3	0

(1) Mr. Bryant is not a formal member of any committee (other than Executive) and attends all meetings, other than portions of those meetings held in executive session of independent Directors.

(2) Ms. Tastad was elected as Director, and her initial term commenced on December 1, 2015.

(3) Mr. Wallace was elected as Director, and his initial term commenced on October 1, 2015.

(4) Dr. Carson resigned from the Board during 2015. Consequently, he is not included in the table above because he was not a member of the Board as of January 2, 2016. During 2015, Dr. Carson served on the C&T, Nominating and Governance, and Social Responsibility and Public Policy Committees.

Audit Committee. Pursuant to a written charter, the Audit Committee, among other things, assists the Board in monitoring the integrity of our financial statements, the independence and performance of our independent registered public accounting firm, the performance of our internal audit function, our ERM process, our compliance with legal and regulatory requirements, and other related matters. The Audit Committee, or its Chair, also pre-approves all audit, internal control-related and permitted non-audit engagements and services by the independent registered public accounting firm and their affiliates. It also discusses and/or reviews specified matters with, and receives specified information or assurances from,

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Kellogg management and the independent registered public accounting firm. The Committee also has the sole authority to appoint, subject to Shareowner ratification, or replace the independent registered public accounting firm, which directly reports to the Audit Committee, and is directly responsible for the compensation and oversight of the independent registered public accounting firm. Mr. Rebolledo, the Chair of the Audit Committee, has been determined by the Board to be an "audit committee financial expert," as that term is defined in Item 407(d)(5) of SEC Regulation S-K. Each of the Committee members meets the independence requirements of the New York Stock Exchange.

Compensation and Talent Management Committee. Pursuant to a written charter, the C&T Committee, among other things: (a) reviews and approves the compensation philosophy and principles for senior executives; (b) reviews and makes recommendations for the compensation of senior management personnel and monitors overall compensation for senior executives, including reviewing risks arising from Kellogg's compensation policies and practices; (c) reviews and recommends the compensation of the CEO; (d) reviews talent development, succession, diversity and inclusion, and employment programs; (e) has sole authority to retain or terminate any compensation consultant or other advisor used to evaluate senior executive compensation; (f) oversees and administers employee benefit plans to the extent provided in those plans; (g) reviews with management employment and employment-related matters; and (h) reviews trends in management compensation. The Committee may form and delegate authority to subcommittees or the Chair when appropriate.

The C&T Committee, or its Chair, also approves all engagements and services to be performed by any consultants or advisors to the Committee. To assist the Committee in discharging its responsibilities, the Committee has retained an independent compensation consultant — Frederic W. Cook ("Cook & Co."). The consultant reports directly to the C&T Committee. Prior to retaining any such consultant, or other advisor, the Committee must consider whether the work of such consultant or other advisor would raise a conflict of interest according to the independence factors enumerated by the New York Stock Exchange, as well as any other factors the Committee determines to be relevant. Other than the work it performs for the C&T Committee and the Board, Cook & Co. does not provide any consulting services to Kellogg or its executive officers. For additional information about the independence of the Committee's consultant, refer to "Compensation Discussion and Analysis — Compensation Approach — Independence."

The Board has determined that each member of the C&T Committee meets the definition of independence under our Corporate Governance Guidelines and the requirements of the New York Stock Exchange and further qualifies as a non-employee Director for purposes of Rule 16b-3 under the Securities Exchange Act of 1934. The members of the Committee are not current or former employees of Kellogg, are not eligible to participate in any of our executive compensation programs, do not receive compensation that would impair their ability to make independent judgments about executive compensation, and are not "affiliates" of the Company, as defined under Rule 10c-1 under the Securities Exchange Act of 1934. Additionally, the composition of the Committee is designed to meet the tax deductibility criteria included in Section 162(m) of the Internal Revenue Code.

The C&T Committee is charged with overseeing the review and assessment of risks arising from Kellogg's compensation policies and practices. This includes the Committee's annual review of our compensation program for design features considered to encourage excessive risk taking and Kellogg's approach to those features. As part of its review, the Committee also assesses perspectives from independent experts and regulators. Kellogg uses a number of approaches to mitigate excessive risk taking, including significant weighting towards long-term incentive compensation, emphasizing qualitative goals in addition to a variety of quantitative metrics, and equity ownership guidelines. As a result of this review, together with input from the independent compensation consultant, the C&T Committee determined that the risks arising from Kellogg's compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on Kellogg.

For additional information about the C&T Committee's processes for establishing and overseeing executive compensation, refer to "Compensation Discussion and Analysis — Compensation Approach."

Manufacturing Committee. Pursuant to a written charter, the Manufacturing Committee, among other things, assists the Board in discharging its oversight responsibilities with respect to topics relating to Kellogg's manufacturing and supply chain practices, with the primary focus on Kellogg's food quality and safety, manufacturing facility operations, people and labor strategies, and capital projects. As it deems appropriate, the Committee reviews policies, programs and practices, and

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provides strategic advice and counsel concerning the matters set forth above including, but not limited to, food safety, employee health and safety, capacity utilization and planning, contingency planning, productivity programs, commodity purchasing and hedging programs, people utilization and people and labor strategies.

Nominating and Governance Committee. Pursuant to a written charter, the Nominating and Governance Committee, among other things, assists the Board by (a) identifying and reviewing the qualifications of candidates for Director and in determining the criteria for new Directors; (b) recommending nominees for Director to the Board; (c) recommending committee assignments; (d) reviewing annually the Board's compliance with the Corporate Governance Guidelines; (e) reviewing annually the Corporate Governance Guidelines and recommends changes to the Board; (f) monitoring the performance of Directors and conducting performance evaluations of each Director before the Director's re-nomination to the Board; (g) administering the annual evaluation of the Board; (h) providing annually an evaluation of CEO performance used by the independent members of the Board in their annual review of CEO performance; (i) considering and evaluating potential waivers of the Code of Conduct for Directors and Global Code of Ethics for senior officers (for which there were none in 2015); (j) making a report to the Board on CEO succession planning at least annually; (k) providing an annual review of the independence of Directors to the Board; (l) reviewing and recommending to the Board responses to Shareowner proposals; and (m) reviewing Director compensation. The Chair of the Nominating and Governance Committee, as Lead Director, also presides at executive sessions of independent Directors of the Board. Each of the Nominating and Governance Committee members meets the independence requirements of the New York Stock Exchange.

Social Responsibility and Public Policy Committee. Pursuant to a written charter, the Social Responsibility and Public Policy Committee, among other things, assists the Board in discharging its oversight responsibilities with respect to certain social and public policy issues. The Committee reviews the Company's policies, programs and practices concerning public policy, government relations, philanthropic activities/charitable contributions, sustainability and related topics. The Committee is particularly focused on the intersection of philanthropy, public policy, and sustainability and the Company's goals.

Executive Committee. Pursuant to a written charter, the Executive Committee is generally empowered to act on behalf of the Board between meetings of the Board, with some exceptions.

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PROPOSAL 1 — ELECTION OF DIRECTORS

For more than 100 years, consumers have counted on Kellogg for great-tasting, high-quality and nutritious foods. Kellogg is the world's leading producer of cereal, second largest producer of cookies and crackers, and a leading producer of savory snacks and frozen foods. Additional product offerings include toaster pastries, cereal bars, fruit-flavored snacks and veggie foods. Kellogg products are manufactured and marketed globally. As such, we believe that in order for our Board to effectively guide Kellogg to long-term sustainable, dependable performance, it should be composed of individuals with sophistication and experience in the many disciplines that impact our business. In order to best serve Kellogg and our Shareowners, we seek to have a Board, as a whole, that is competent in key corporate disciplines, including accounting and financial acumen, business judgment, crisis management, governance, leadership, people management, risk management, social responsibility and reputational issues, and strategy and strategic planning. In addition, the Board must have specific knowledge related to Kellogg's industry, such as expertise in branded consumer products and consumer dynamics, health and nutrition, innovation / research and development, international markets, manufacturing and supply chain, marketing, regulatory and government affairs, the retail environment, and sales and distribution.

The Nominating and Governance Committee believes that all Directors must, at a minimum, meet the criteria set forth in the Board's Code of Conduct and the Corporate Governance Guidelines, which specify, among other things, that the Nominating and Governance Committee will consider criteria such as independence, diversity, age, skills and experience in the context of the needs of the Board. In addressing issues of diversity in particular, the Nominating and Governance Committee considers a nominee's differences in viewpoint, professional experience, background, education, skill, age, race, gender and national origin. The Nominating and Governance Committee believes that diversity of backgrounds and viewpoints is a key attribute for a director nominee. The Committee seeks a diverse Board that is representative of our global business, Shareowners, consumers, customers, and employees. While the Nominating and Governance Committee carefully considers diversity when considering directors, it has not established a formal policy regarding diversity. The Nominating and Governance Committee also will consider a combination of factors for each director, including whether the nominee (1) has the ability to represent all Shareowners without a conflict of interest; (2) has the ability to work in and promote a productive environment; (3) has sufficient time and willingness to fulfill the substantial duties and responsibilities of a Director; (4) has demonstrated the high level of character and integrity that we expect; (5) possesses the broad professional and leadership experience and skills necessary to effectively respond to the complex issues encountered by a multi-national, publicly-traded company; and (6) has the ability to apply sound and independent business judgment.

The Nominating and Governance Committee has determined that all of our Directors meet the criteria and qualifications set forth in the Board's Code of Conduct, the Corporate Governance Guidelines and the criteria set forth above for director nominees. Moreover, each Director possesses the following critical personal qualities and attributes that we believe are essential for the proper functioning of the Board to allow it to fulfill its duties for our Shareowners: accountability, ethical leadership, governance, integrity, risk management, and sound business judgment. In addition, our Directors have the mature confidence to assess and challenge the way things are done and recommend alternative solutions, a keen awareness of the business and social realities of the global environment in which Kellogg operates, the independence and high performance standards necessary to fulfill the Board's oversight function, and the humility and style to interface openly and constructively with other Directors. Finally, the Director biographies below include a non-exclusive list of other key experiences and qualifications that further qualify the individual to serve on the Board. These collective qualities, skills, experiences and attributes are essential to our Board's ability to exercise its oversight function for Kellogg and its Shareowners, and guide the long-term sustainable, dependable performance of Kellogg.

Our amended restated certificate of incorporation and bylaws provide that the Board shall be composed of not less than seven and no more than fifteen Directors divided into three classes as nearly equal in number as possible, and that each Director shall be elected for a term of three years with the term of one class expiring each year. The Board prefers approximately twelve members, but is willing to expand the Board in order to add an outstanding candidate or to prepare for departures of Directors.

Four Directors have been nominated for re-election at the 2016 Annual Meeting to serve for a term ending at the 2019 Annual Meeting of Shareowners, and the proxies cannot be voted for a greater number of persons than the number of

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nominees named. There are currently fourteen members of the Board. In accordance with our retirement policy for directors, Mr. Gordon Gund and Ms. McLaughlin Korologos are not standing for re-election and will retire from the Board in connection with the 2016 Annual Meeting. At such time, the size of the Board will be reduced to twelve members.

The Board recommends that the Shareowners vote "FOR" the following nominees: Mary Laschinger, Cynthia Hardin Milligan, Carolyn Tastad, and Noel Wallace. Each nominee was recommended for re-election by the Nominating and Governance Committee for consideration by the Board and proposal to the Shareowners. If, before the Annual Meeting, any nominee becomes unable to serve, or chooses not to serve, the Board may nominate a substitute. If that happens, the persons named as proxies on the proxy card will vote for the substitute. Alternatively, the Board may either let the vacancy stay unfilled until an appropriate candidate is identified or reduce the size of the Board to eliminate the unfilled seat.

We have a balanced Board which individually possesses the leadership and character commensurate with the role of director, and which collectively possesses the mix of skills necessary to provide appropriate oversight of a company the size and complexity of Kellogg. In addition, the Board possesses a strong mix of experienced and newer directors. The following skills have been identified by the Board as core competencies:

Accounting and Financial Acumen	Branded Consumer Products / Consumer Dynamics	Crisis Management	Health and Nutrition	Innovation / Research and Development
International and Emerging Markets	People Management	Manufacturing and Supply Chain	Marketing	Regulatory / Government
Retail Environment	Risk Management	Sales and Distribution	Social Responsibility	Strategy / Strategic Planning

The Director biographies highlight five of these competencies that each Director possesses.

Nominees for Election for a Three-Year Term Expiring at the 2019 Annual Meeting.

MARY LASCHINGER. Ms. Laschinger, age 55, has served as a Kellogg Director since October 2012. She is Chairman of the Board and CEO of Veritiv Corporation. Previously, Ms. Laschinger served as Senior Vice President of International Paper Company from 2007 to June 2014, and as President of the xpedx distribution business from January 2010 to June 2014. She also served as President of the Europe, Middle East, Africa and Russia business at International Paper, Vice President and General Manager of International Paper's Wood Products and Pulp businesses, as well as in other senior management roles in sales, marketing, manufacturing and supply chain at International Paper.

As a result of these professional and other experiences, Ms. Laschinger possesses particular knowledge and experience in a variety of areas, including branded consumer products and consumer dynamics, accounting and financial acumen, international and emerging markets, manufacturing and supply chain, sales and distribution, and has public company board experience that strengthens the Board's collective knowledge, capabilities and experience.

CYNTHIA HARDIN MILLIGAN. Ms. Milligan, age 69, has served as a Kellogg Director since February 2013. She is Dean Emeritus of the College of Business Administration at the University of Nebraska-Lincoln. She also served as a director, Omaha Branch, of the Kansas City Federal Reserve from 2002 to 2007. Prior to joining the University of Nebraska, Ms. Milligan was past President and Chief Executive officer of Cynthia Milligan & Associates, from 1991 to 1998. She served as Director of Banking and Finance for the State of Nebraska from 1987 until 1991, and prior to that she was a senior partner at Rembolt, Lodtke, Milligan and Berger in Lincoln, Nebraska. Ms. Milligan is a director of Wells Fargo & Company, Raven Industries, Inc., and 20 Calvert-sponsored mutual funds. She has also served as a member of the board of trustees of W.K. Kellogg Foundation since January 1999.

As a result of these professional and other experiences, Ms. Milligan possesses particular knowledge and experience in a variety of areas, including regulatory and government affairs, accounting and financial acumen, people management, social responsibility, strategy and strategic planning, and public company board experience (including specific experience in credit, risk, governance, and social responsibility oversight) that strengthens the Board's collective knowledge, capabilities and experience.

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CAROLYN TASTAD. Ms. Tastad, age 54, has served as a Kellogg Director since December 2015. Ms. Tastad is currently Group President, Procter & Gamble North America and has worked at Procter & Gamble since 1983 where she previously served in executive roles in the U.S., Canada, and Switzerland.

The Nominating and Governance Committee reviewed Ms. Tastad's professional and other experiences, including her particular knowledge and experience in a variety of areas, including branded consumer products and consumer dynamics, people management, sales and distribution, marketing, and strategy and strategic planning. The Nominating and Governance Committee considered Ms. Tastad a candidate for the Board as Ms. Tastad's knowledge and experience would strengthen the Board's collective knowledge, capabilities and experience.

NOEL WALLACE. Mr. Wallace, age 51, has served as a Kellogg Director since October 2015. Mr. Wallace is currently President of Colgate-Palmolive Latin America and has worked at Colgate-Palmolive since 1987 where he previously served in executive roles in North America, Europe, Latin America, and Africa.

The Nominating and Governance Committee reviewed Mr. Wallace's professional and other experiences, including his particular knowledge and experience in a variety of areas, including international and emerging markets, accounting and financial acumen, branded consumer products and consumer dynamics, innovation and research and development, and risk management. The Nominating and Governance Committee considered Mr. Wallace a candidate for the Board as Mr. Wallace's knowledge and experience would strengthen the Board's collective knowledge, capabilities and experience.

Continuing Directors to Serve Until the 2018 Annual Meeting.

JOHN DILLON. Mr. Dillon, age 77, has served as a Kellogg Director since 2000. He is Senior Advisor of Evercore Partners. He retired in October 2003 as Chairman of the Board and CEO of International Paper Company, a position he held since 1996, and retired as Chairman of the Business Roundtable in June 2003. He is a director of Progressive Waste Solutions, Ltd., and within the past five years, he has also served as a director of E. I. du Pont de Nemours and Company.

As a result of these professional and other experiences, Mr. Dillon possesses particular knowledge and experience in a variety of areas, including accounting and financial acumen, international and emerging markets, manufacturing and supply chain, sales and distribution, strategy and strategic planning, and has public company board experience (including specific experience in auditing, compensation, governance, and manufacturing oversight) that strengthens the Board's collective knowledge, capabilities and experience.

ZACHARY GUND. Mr. Zachary Gund, age 45, has served as a Kellogg Director since December 2014. He is a Managing Partner of Coppermine Capital, LLC, which he founded in 2001, where he makes investment decisions and oversees several portfolio companies across many different sectors. His work has spanned both the manufacturing and service industries, including food manufacturing.

As a result of these professional and other experiences, Mr. Zachary Gund possesses particular knowledge and experience in a variety of areas, including accounting and financial acumen, branded consumer products and consumer dynamics, manufacturing and supply chain, the retail environment, and sales and distribution that strengthens the Board's collective knowledge, capabilities and experience. Mr. Zachary Gund is the son of Mr. Gordon Gund.

JIM JENNESS. Mr. Jenness, age 69, has served as a Kellogg Director since 2000. He was our Executive Chairman from February 2005 until June 2014, and served as our CEO from February 2005 through December 30, 2006. He also served as CEO of Integrated Merchandising Systems, LLC, a leader in outsource management of retail promotion and branded merchandising, from 1997 to December 2004. Before joining Integrated Merchandising Systems, Mr. Jenness served as Vice Chairman and COO of the Leo Burnett Company from 1996 to 1997 and, before that, as Global Vice Chairman North America and Latin America from 1993 to 1996. He is lead director of Kimberly-Clark Corporation and a director of Prestige Brands Holdings, Inc. Mr. Jenness also served as a trustee of the W.K. Kellogg Foundation Trust from 2005 to 2015.

As a result of these professional and other experiences, Mr. Jenness possesses particular knowledge and experience in a variety of areas, including branded consumer products and consumer dynamics, health and nutrition, marketing, people management, strategy and strategic planning, and has public company board experience that strengthens the Board's collective knowledge, capabilities and experience.

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DON KNAUSS. Mr. Knauss, age 65, has served as a Kellogg Director since December 2007. Mr. Knauss retired as Executive Chairman of the Board of The Clorox Company in July 2015. He had served as Chairman and CEO of The Clorox Company from 2006 to 2014. He was Executive Vice President of The Coca-Cola Company and President and COO for Coca-Cola North America from February 2004 until September 2006. Previously, he was President of the Retail Division of Coca-Cola North America from January 2003 through February 2004 and President and CEO of The Minute Maid Company, a division of The Coca-Cola Company, from January 2000 until January 2003 and President of Coca-Cola Southern Africa from March 1998 until January 2000. Prior to that, he held various positions in marketing and sales with PepsiCo, Inc. and Procter & Gamble, and served as an officer in the United States Marine Corps. In addition, Mr. Knauss is a director of McKesson Corporation and Target Corporation, and within the past five years, he has also served as a director of URS Corporation.

As a result of these professional and other experiences, Mr. Knauss possesses particular knowledge and experience in a variety of areas, including the retail environment, branded consumer products and consumer dynamics, crisis management, manufacturing and supply chain, strategy and strategic planning, and has public company board experience (including specific experience in auditing, manufacturing, and marketing oversight) that strengthens the Board's collective knowledge, capabilities and experience.

Continuing Directors to Serve Until the 2017 Annual Meeting.

JOHN BRYANT. Mr. Bryant, age 50, has been Chairman of the Board of Kellogg Company since July 2014. In January 2011, he became President and CEO after having served as our Executive Vice President and COO since August 2008. He has been a member of Kellogg Company's Board of Directors since July 2010. Mr. Bryant joined Kellogg in March 1998, and was promoted during the next eight years to a number of key financial and executive leadership roles. He was appointed Executive Vice President and CFO, Kellogg Company, President, Kellogg International in December 2006. In July 2007, Mr. Bryant was appointed Executive Vice President and CFO, Kellogg Company, President, Kellogg North America and in August 2008, he was appointed Executive Vice President, COO and CFO. Mr. Bryant served as CFO through December 2009. He has also been a trustee of the W. K. Kellogg Foundation Trust since 2015, and is a director of Macy's Inc.

As a result of these professional and other experiences, Mr. Bryant possesses particular knowledge and experience in a variety of areas, including accounting and financial acumen, branded consumer products and consumer dynamics, strategy and strategic planning, social responsibility, international and emerging markets, and has public company board experience that strengthens the Board's collective knowledge, capabilities and experience.

STEPHANIE BURNS, Ph.D. Dr. Burns, age 61, has served as a Kellogg Director since February 2014. Dr. Burns served as CEO of Dow Corning Corporation from 2004 to 2011 and its Chairman from 2006 through 2011. She began her career with Dow Corning in 1983 and later became Dow Corning's first director of women's health. Dr. Burns was elected to the Dow Corning Board of Directors in 2001 and elected as President in 2003. Dr. Burns is a director of HP Inc., Corning Incorporated and GlaxoSmithKline plc., and within the past five years, Dr. Burns has also served as a director of Dow Corning Corporation.

As a result of these professional and other experiences, Dr. Burns possesses particular knowledge and experience in a variety of areas, including accounting and financial acumen, crisis management, innovation and research and development, manufacturing and supply chain, regulatory and government affairs, and public company board experience (including specific experience in compensation, corporate relations, manufacturing, and social responsibility oversight) that strengthens the Board's collective knowledge, capabilities and experience.

LA JUNE MONTGOMERY TABRON. Ms. Montgomery Tabron, age 53, has served as a Kellogg Director since February 2014. Ms. Montgomery Tabron was elected President and CEO of the W.K. Kellogg Foundation effective January 2014. She is also a member of the Board of Trustees of the W.K. Kellogg Foundation since January 2014. During her 27 years with the W.K. Kellogg Foundation, she held various positions in finance, including Executive Vice President of Operations and Treasurer from March 2012 to December 2013, COO and Treasurer from January 2010 to February 2012, Vice President of Finance and Treasurer from September 2000 to December 2009, Assistant Vice President of Finance and Assistant Treasurer from September 1997 to September 2000, and Controller from May 1987 to September 1997. Ms. Montgomery Tabron has also been a trustee of the W.K. Kellogg Foundation Trust since 2014.

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As a result of these professional and other experiences, Ms. Montgomery Tabron possesses particular knowledge and experience in a variety of areas, including accounting and financial acumen, strategy and strategic planning, people management, regulatory and government affairs, social responsibility, and private company board experience (including specific experience in social responsibility oversight) that strengthens the Board's collective knowledge, capabilities and experience.

ROGELIO REBOLLEDO. Mr. Rebolledo, age 71, has served as a Kellogg Director since October 2008. In 2007, Mr. Rebolledo retired from his position as Chairman of PBG Mexico, the Mexican operations of Pepsi Bottling Group, Inc. He began his 30-year career with PepsiCo Inc. at Sabritas, the salty snack food unit of Frito-Lay International in Mexico. He was responsible for the development of the international Frito-Lay business, first in Latin America and then in Asia and Europe. From 2001 to 2003, he was President and CEO of Frito-Lay International. He also served as President and CEO of Pepsi Bottling Group's Mexico operations from January 2004 until being named Chairman. Mr. Rebolledo is a director of The Clorox Company, and within the past five years, Mr. Rebolledo has also served as a director of Best Buy Co., Inc.

As a result of these professional and other experiences, Mr. Rebolledo has been determined to be an "Audit Committee Financial Expert" under the SEC's rules and regulations, possesses particular knowledge and experience in a variety of areas, including accounting and financial acumen, international and emerging markets, marketing, the retail environment, sales and distribution, and has public company board experience (including specific experience in auditing, compensation, and marketing oversight) that strengthens the Board's collective knowledge, capabilities and experience.

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2015 DIRECTOR COMPENSATION AND BENEFITS

Only non-employee Directors receive compensation for their services as Directors. For information about the compensation of Mr. Bryant, refer to "Executive Compensation" beginning on page 40.

Our 2015 compensation for non-employee Directors was comprised of annual retainers and equity-based grants. The annual pay is designed to attract and retain diverse, highly-qualified, seasoned, and independent professionals to represent all of our Shareowners, and is targeted at the median of our compensation peer group. Refer to "Compensation Discussion and Analysis — Compensation Approach" for a description of the companies that make up our compensation peer group. The Nominating and Governance Committee reviews our Director compensation program on an annual basis with Cook & Co., the independent compensation consultant. Cook & Co. provides counsel to the Committee in a variety of ways, including an in depth study that reports and analyzes the director compensation programs in the compensation peer group to ensure that the program is competitive, consistent with market practice, and designed to attract qualified directors. Although the Nominating and Governance Committee conducts this review on an annual basis, it considers adjustments to Director compensation every other year. In 2015, consistent with the findings in the Cook & Co. assessment, the Company raised the annual cash retainer for the Chair of the C&T Committee from $15,000 to $20,000 and established a $20,000 annual cash retainer for serving as the Lead Director.

Our compensation is designed to create alignment between our Directors and our Shareowners through the use of equity-based grants. In 2015, approximately 60% of non-employee Director pay was in equity and approximately 40% was in cash.

Compensation as of January 2, 2016 (end of fiscal year), for non-employee Directors consisted of the following:

Type of Compensation	Value
Annual Cash Retainer (paid in quarterly installments)	$100,000
Annual Stock Awards Retainer (issued on May 7, 2015)	$150,000
Annual Cash Retainer for Lead Director / Committee Chair:	
Lead Director	$20,000
Audit Committee	$20,000
C&T Committee	$20,000
Nominating and Governance	$20,000
All Other Committees (other than Executive Committee where no retainer is paid)	$10,000

Actual annual pay varies somewhat among non-employee Directors based primarily on committee chair responsibilities. To the extent the dollar value of the Annual Stock Awards Retainer exceeds $150,000 at the time of the grant, the excess amount is deducted from the Annual Cash Retainer payments.

Stock Awards. Stock awards are granted in early May and for non-employee Directors are automatically deferred pursuant to the Kellogg Company Grantor Trust for Non-Employee Directors. Under the terms of the Grantor Trust, shares are available to a Director only upon termination of service on the Board.

Business Expenses. Kellogg pays for the business expenses related to Directors attending Kellogg meetings, including room, meals and transportation to and from Board and Committee meetings. At times, a Director may travel to and from Kellogg meetings on Kellogg corporate aircraft. Directors are also eligible to be reimbursed for attendance at qualified Director education programs.

Director and Officer Liability Insurance and Travel Accident Insurance. Director and officer liability insurance ("D&O Insurance") insures our Directors and officers against certain losses that they are legally required to pay as a result of their actions while performing duties on our behalf. Our D&O Insurance policy does not break out the premium for Directors versus officers and, therefore, a dollar amount cannot be assigned for individual Directors. Travel accident

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insurance provides benefits to each Director in the event of death or disability (permanent and total) during travel on Kellogg corporate aircraft. Our travel accident insurance policy also covers employees and others while traveling on Kellogg corporate aircraft and, therefore, a dollar amount cannot be assigned for individual Directors.

Elective Deferral Program. Under the Deferred Compensation Plan for Non-Employee Directors, non-employee Directors may each year irrevocably elect to defer all or a portion of their Board annual cash retainer payable for the following year. The amount deferred is credited to an account in the form of units equivalent to the fair market value of our common stock. If the Board declares dividends, a fractional unit representing the dividend is credited to the account of each participating Director. A participant's account balance is paid in stock upon termination of service as a Director. The balance is paid in a lump sum or in up to ten annual installments at the election of the Director. In the case of annual installments, dividend equivalents are earned and credited to the participant's unpaid balance on the date earned until the account is distributed in full.

Minimum Stock Ownership Requirement. All non-employee Directors are expected to comply with stock ownership guidelines, under which they are expected to hold at least five times the annual cash retainer ($500,000 — five times the $100,000 cash retainer) in stock or stock equivalents, subject to a five-year phase-in period for newly-elected Directors. As of January 2, 2016, all of the non-employee Directors exceeded or were on track to meet this requirement. Mr. Bryant is expected to comply with the stock ownership guidelines described in "Compensation Discussion and Analysis — Compensation Policies — Executive Stock Ownership Guidelines," which is at least six times annual base salary. Mr. Bryant exceeds his stock ownership guideline.

Discontinued Program. Prior to December 1995, we had a Directors' Charitable Award Program pursuant to which Kellogg would contribute an aggregate of $1 million upon the death of a Director to organizations of the Directors choice (up to four). In 1995, the Board discontinued this program for Directors first elected after December 1995. In 2015, Mr. Gordon Gund and Ms. McLaughlin Korologos continued to be eligible to participate in this program. We funded the cost of this program for the two eligible Directors through the purchase of insurance policies prior to 2008. We will make cash payments in the future under this program if insurance proceeds are not available at the time of the Director's death. In 2015, we recognized nonpension postretirement benefits expense associated with this obligation as follows: Mr. Gordon Gund — $23,808 and Ms. McLaughlin Korologos — $21,339. These benefits are not reflected in the Directors' Compensation Table.

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Directors' Compensation Table

The individual components of the total compensation calculation reflected in the table below are as follows:

Fees and Retainers. The amounts shown under the heading "Fees Earned or Paid in Cash" consist of annual retainers earned by or paid in cash to our non-employee Directors in 2015.

Stock Awards. The amounts disclosed under the heading "Stock Awards" consist of the annual grant of deferred shares of common stock, which are placed in the Kellogg Company Grantor Trust for Non-Employee Directors. The dollar amounts for the awards represent the grant-date fair value calculated in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718 (Compensation — Stock Compensation).

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)		Option Awards ($)(3)	Non-equity Incentive Plan Compensation ($)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)	Total ($)	
Stephanie Burns	99,998	150,002		—	—	—	—	250,000	
John Dillon	119,998	150,002		—	—	—	—	270,000	
Gordon Gund	139,998	150,002		—	—	—	—	290,000	
Zachary Gund	116,846	208,286	(6)	—	—	—	—	325,132	(6)
Jim Jenness	99,998	150,002		—	—	—	—	250,000	
Donald Knauss	109,998	150,002		—	—	—	—	260,000	
Mary Laschinger	99,998	150,002		—	—	—	—	250,000	
Ann McLaughlin Korologos	109,998	150,002		—	—	—	—	260,000	
Cynthia Milligan	99,998	150,002		—	—	—	—	250,000	
La June Montgomery Tabron	99,998	150,002		—	—	—	—	250,000	
Rogelio Rebolledo	119,998	150,002		—	—	—	—	270,000	
Carolyn M. Tastad (7)	8,967	—	(7)	—	—	—	—	8,967	(7)
Noel R. Wallace (8)	33,424	—	(8)	—	—	—	—	33,424	(8)
Benjamin Carson Sr. (9)	50,000	—		—	—	—	—	50,000	

(1) The amount reflects the aggregate dollar amount of all fees earned or paid in cash for services as a non-employee Director. Differences reflect time on the Board during 2015 and cash retainers paid to Committee Chairs and the Lead Director.

(2) The amount reflects the grant-date fair value calculated in accordance with FASB ASC Topic 718 for the annual grant of 2,360 deferred shares of common stock. Refer to Notes 1 and 8 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 2, 2016. The grant-date fair value of the stock-based awards will likely vary from the actual value the Director receives. The actual value the Director receives will depend on the number of shares and the price of our common stock when the shares or their cash equivalent are distributed. As of January 2, 2016, none of our non-employee Directors was deemed to have outstanding restricted stock awards, because all of those awards vested in prior years. The number of shares of common stock held by each of our Directors is shown under "Security Ownership — Officer and Director Stock Ownership" on page 5 of this proxy statement.

(3) As of January 2, 2016, these Directors and former Directors had the following stock options outstanding: Benjamin Carson 15,000 options; John Dillon 10,000 options; Gordon Gund 10,000 options; Jim Jenness 5,000 options; Don Knauss 6,931 options; Ann McLaughlin Korologos 10,000 options; and Rogelio Rebolledo 2,534 options. The number of stock options held by our Directors is a function of years of Board service and the timing of exercise of vested awards. These options were granted in previous years as a component of the non-employee Directors' annual compensation. In December 2008, the Board decided to stop granting stock options to non-employee Directors.

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(4) Kellogg does not have a non-equity incentive plan for non-employee Directors.

(5) Kellogg does not have a pension plan for non-employee Directors and does not pay above-market or preferential rates on non-qualified deferred compensation for non-employee Directors.

(6) Mr. Zachary Gund began his initial term as Director on December 1, 2014. The amount reflects the prorated portion of the stock awards granted to Mr. Zachary Gund for his service as Director prior to the 2015 Annual Meeting of Shareowners and the stock awards granted in May 2015 to all of the then-current non-executive Directors.

(7) Ms. Tastad was elected as Director on August 25, 2015, and her initial term as Director began December 1, 2015. In May 2016, Ms. Tastad will receive a prorated portion of the 2015 stock awards for her service as Director prior to the 2016 Annual Meeting of Shareowners.

(8) Mr. Wallace was elected as Director on August 25, 2015, and his initial term as Director began October 1, 2015. In May 2016, Mr. Wallace will receive a prorated portion of the 2015 stock awards for his service as Director prior to the 2016 Annual Meeting of Shareowners.

(9) Dr. Carson resigned as a Director in May 2015. The amount reflects compensation he received for his service as Director until May 2015.

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2015 Performance Summary. Our overall trends in 2015 represented a significant year-over-year improvement and momentum built as the year progressed. The Company's projections for performance in 2016 represent further improvement, building on the foundation created over the past two years. Specifically, the Company's performance exceeded each of the financial targets for the 2015 Annual Incentive Plan (currency-neutral comparable operating profit, currency-neutral comparable net sales, and cash flow). The Company built momentum in our key businesses throughout the year, culminating with fourth quarter currency-neutral comparable net sales growth of 4.2% and currency-neutral comparable operating profit growth of 2.8%. Our U.S. cereal business saw significant improvement throughout the year and ended the year with fourth quarter consumption growth for the Kellogg brand of more than 2% and a category share gain of 70 basis points. In addition, the Company announced 2016 guidance in line with our long-term corporate targets.

This discussion and analysis provides information regarding the compensation program in place for our CEO, CFO, and the three other most highly-compensated executive officers as of the end of fiscal 2015. In this proxy statement, we refer to our CEO, CFO, and the other three individuals as our "named executive officers" or "NEOs."

In order to present Kellogg's executive compensation program in a simple and understandable manner, the Compensation Discussion and Analysis ("CD&A") has been organized into the following sections:

I. Executive Summary – an overview of our compensation program.

II. Core Principles – the fundamental tenets upon which our compensation program is built, such as pay for performance.

III. Compensation Approach – the process used to develop plan design, set compensation, and verify that actual pay is consistent with our Core Principles.

IV. Compensation Plans and Design – the elements of the compensation program and 2015 pay.

V. Compensation Policies – key policies that govern the operation of the plans.

It is important to read this section in conjunction with the detailed tables and narrative descriptions under "Executive Compensation" beginning on page 40 of this proxy statement.

I. Executive Summary. This executive summary highlights core principles of our compensation program and the approach followed by the C&T Committee.

Core Principles. We operate in a robust and challenging industry, where competitive compensation is important. We believe that our executive compensation program for our NEOs should be designed to:

- provide a competitive level of total compensation necessary to attract and retain talented and experienced executives;
- appropriately motivate our NEOs to contribute to our short- and long-term success; and
- help drive long-term total return for our Shareowners.

Accordingly, the Core Principles that underpin our executive compensation program include Pay for Performance, Shareowner Alignment, Values-Based and Mitigating Risk. A detailed description of these principles is included in this CD&A, and the following is a brief overview of each.

Pay for Performance. Our compensation program is designed to have a significant portion of an NEO's actual compensation linked to Kellogg's actual performance. We accomplish this by utilizing "performance-based" pay programs like our annual incentive plan, stock option plan and three-year executive performance plan, and by limiting perquisites.

Shareowner Alignment. We align the interest of our NEOs with Shareowners by encouraging our NEOs to have a meaningful personal financial stake in Kellogg. We gain this alignment by maintaining stock ownership guidelines, having a

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significant portion of an NEO's target compensation stock-based, and using compensation plan goals that are tied to key financial metrics of Kellogg. In addition, our C&T Committee reviews 'total shareowner return' as a key financial metric when reviewing performance to verify our pay for performance connection.

Values-Based. Our NEOs are evaluated on the behaviors they exhibit as they drive results. The compensation program links the "what" each NEO contributes as well as "how" an NEO makes those contributions.

Mitigating Risk. Our compensation program is designed to mitigate risks relating to our business. The program accomplishes this by balancing short-term and rolling three-year incentives, which uses various financial metrics to ensure the business grows in a balanced manner. In addition, we use clawback provisions to mitigate risk by creating appropriate remedies under certain circumstances.

Compensation Approach. The approach utilized by the C&T Committee is a key feature that ensures that actual compensation and plan design are consistent with the Core Principles. Our compensation approach is a multi-step process based on (a) independent decision-making, (b) utilizing compensation peer group data to appropriately target compensation levels, (c) targeting compensation at the 50th percentile of the compensation peer group, (d) following a consistent, rigorous target setting process, and (e) utilizing verification tools to ensure appropriate decisions are being made.

Overview. Recently, the C&T Committee took the following actions (a more detailed discussion of each of these topics follows in this CD&A):

Performance / Payouts. Pay for performance is one of the core principles that underpin our executive compensation program. Our overall trends in 2015 represented a significant year-over-year improvement and momentum built as the year progressed. The Company's projections for performance in 2016 represent further improvement, building on the foundation created over the past two years. Specifically, the Company's performance exceeded each of the financial targets for the 2015 Annual Incentive Plan (currency-neutral comparable operating profit, currency-neutral comparable net sales, and cash flow). The Company built momentum in our key businesses throughout the year, culminating with fourth quarter currency-neutral comparable net sales growth of 4.2% and currency-neutral comparable operating profit growth of 2.8%. Our U.S. cereal business saw significant improvement throughout the year and ended the year with fourth quarter consumption growth for the Kellogg brand of more than 2% and a category share gain of 70 basis points. In addition, the Company announced 2016 guidance in line with our long-term corporate targets. Awards for the 2015 Annual Incentive Plan ("AIP") and 2013-2015 Executive Performance Plan ("EPP") are as follows:

- AIP Payouts (*Pay for Performance*). The payout factor for the 2015 AIP is 121% of target, which is the formulaic result from the targets established at the beginning of the year for currency-neutral comparable operating profit, currency-neutral comparable net sales, and cash flow. Actual payouts for each NEO are described below.
- 2013-2015 EPP Payouts (*Pay for Performance*). The Committee determined that a payout of 35% of the 2013-2015 EPP target would be made to our NEOs for the 2013-2015 performance. The Committee concluded that a payout of 35% of target was appropriate for the Company's performance for the three-year period after considering the financial performance against EPP targets, as well as a variety of additional factors, including the Company's total shareowner return, payouts of similar programs for our compensation peer group, and key Company activities during the performance period.

Program Updates. The Committee and Company engage with a variety of stakeholders to gain feedback on its compensation programs, including discussions with Shareowners. Based on that feedback, and the Committee's reviews with Cook & Co., the following program updates were made to the Company's executive compensation program in 2015:

- 2015-2017 EPP Metrics (*Shareowner Alignment*). The 2015-2017 EPP metrics are cumulative cash flow and relative total shareowner return. Previously, the EPP metrics had been currency-neutral comparable net sales and currency-neutral comparable operating profit.
- Long-term Incentives Mix (*Pay for Performance*). The long-term incentives mix for NEOs in 2015 was approximately 50% EPP and approximately 50% options. Previously, the long-term incentives mix had been approximately 30% EPP and approximately 70% options.

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- Compensation Peer Group (*Compensation Approach*). The compensation peer group was changed for 2016 compensation decisions to include Kraft Heinz Company, The J.M. Smucker Co. and Keurig Green Mountain. Previously, the compensation peer group had included Kraft Foods Group and H.J. Heinz Co. as separate entities. J.M Smucker Co. and Keurig Green Mountain were added to maintain a well-balanced peer group across company sizes and operating segments.

II. Core Principles. Our compensation program is based on the following core principles — each of which is more fully described below.

- Pay for Performance,
- Shareowner Alignment,
- Values-Based, and
- Mitigating Risk.

Pay for Performance. The fundamental principle underlying our compensation programs is pay for performance. That is, linking the amount of actual pay to the performance of Kellogg and each NEO. We accomplish this in several ways, including ensuring that target pay levels are market based, utilizing "performance-based" pay, and limiting perquisites (each of which is more fully described below).

Over the last three years, the Company has had below target, third or fourth quartile, payouts for its AIP and below target, fourth quartile payouts for its EPP. In 2015, the Company's focus was on taking the necessary actions to improve business trends, build momentum, and position the Company to return to our long-term corporate targets in 2016 for net sales, operating profit, and earnings per share. The Company achieved these goals. Our overall trends in 2015 represented a significant year-over-year improvement and momentum built as the year progressed. The Company's projections for performance in 2016 represent further improvement, building on the foundation created over the past two years. Specifically, the Company exceeded the 2015 AIP targets for currency-neutral comparable operating profit, currency-neutral comparable net sales, and cash flow in 2015. The Company built momentum in our key businesses throughout the year and announced 2016 guidance consistent with our long-term corporate targets. Awards for the 2015 AIP are reflective of that performance.

For our 2015 AIP, the formulaic result of the Company's 2015 performance is a second quartile payout of 121% of target. In exercising its judgment-based methodology to ensure pay is consistent with the Company's performance, the C&T Committee considered a number of factors, including: (i) actual performance that exceeded each of the 2015 AIP targets; (ii) the Company's performance versus the performance peer group; (iii) total shareowner return alignment between estimated quartile performance and quartile payout; and (iv) key business activities, such as launching zero-based budgeting in North America to provide additional financial visibility for the Company in the future, refreshing our strategy in 2015 and establishing our 2020 growth plan with specific growth goals and initiatives, and executing on Project K, Kellogg's four-year efficiency and effectiveness program announced in November 2013. Our NEOs received a second quartile payout of 121% of target, before consideration for individual performance. In 2015, our corporate AIP performance target for currency-neutral comparable operating profit was a decline of 2.5%, which included a 4% negative impact from the rebasing of incentive compensation. Without this headwind, the operating profit target would have been growth of 1.5%. The full-year performance exceeded the target and was a decline of 2.3%. Without the impact from rebasing incentive compensation from 2014 to 2015, the Company's currency-neutral comparable operating profit would have been growth of approximately 1.7%. The corporate AIP performance target for currency-neutral comparable net sales was 0.5% growth, while full-year performance exceeded the target with growth of 1.2%. The AIP performance target for cash flow was $1.0 billion, while full-year performance exceeded the target with cash flow of $1.1 billion. For more information about the AIP, see "Annual Incentives" beginning on page 31 of this proxy statement.

For the 2013-2015 EPP, the C&T Committee determined that a fourth quartile payout of 35% of the 2013-2015 EPP target was appropriate based on the Company's performance during the performance period. The Committee reviewed the Company's performance versus the currency-neutral comparable operating profit target established in 2013 for purposes of Section 162(m) and determined that the target had been reached. For this period, Kellogg's currency-neutral comparable net sales declined at a rate of 0.3% and currency-neutral comparable operating profit declined at a rate of 1.5%, which if unadjusted, would have resulted in a payout of up to 50% of the 2013-2015 EPP target share amount. The Committee then

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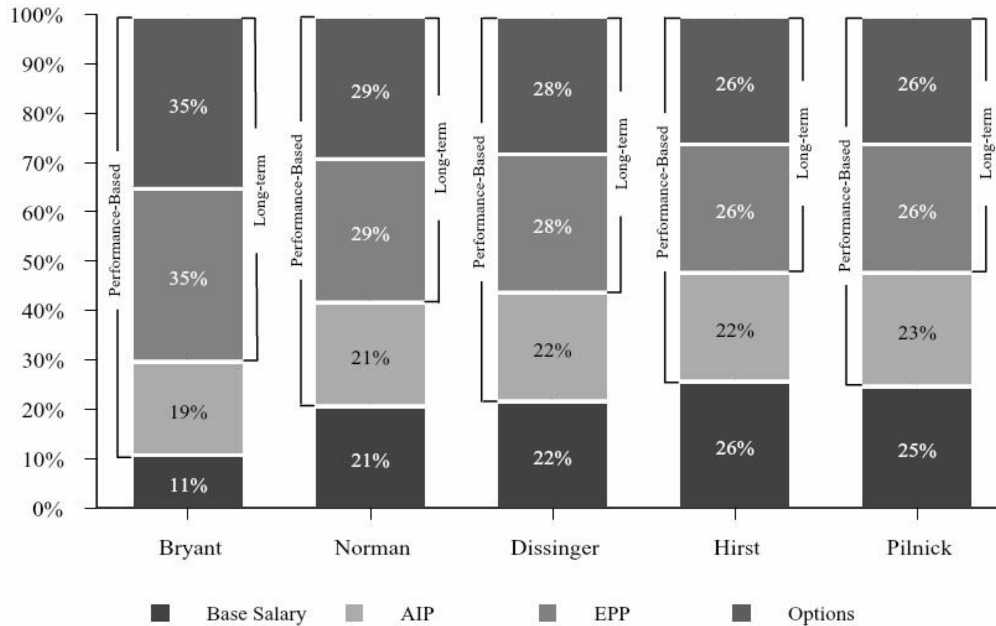
considered the following additional factors regarding company performance during the performance period in determining the payout amount: (i) the total shareowner return for Kellogg of 41.4% from 2013 to 2015, placing Kellogg in the third quartile of our performance peer group; (ii) payouts for similar programs for our compensation peer group; and (iii) the execution of Project K. The Committee used a judgment-based methodology in exercising its discretion to set the actual 2013-2015 EPP payout at 35% of target.

Market Driven Compensation. All components of our executive compensation package are targeted at the 50th percentile of our compensation peer group to ensure that our executives are appropriately compensated, and we are able to recruit and retain the right talent for the organization. Actual compensation ranges above or below the 50th percentile of our compensation peer group based on performance against pre-determined goals that are designed to drive sustainable results and increase Shareowner value.

Performance-Based Compensation. A significant portion of our NEOs' target compensation is "performance-based" pay tied to both short-term performance (AIP awards) and long-term performance (EPP awards and stock options). For our CEO, 89% of 2015 target compensation (salary, annual incentives and long-term incentives) was comprised of performance-based incentives.

Performance-Based Compensation



The chart above highlights the percentage contribution of each element of 2015 target compensation. The chart demonstrates how base salary (fixed component) contributes less for the CEO from a percentage standpoint than the other NEOs.

Limited Perquisites. To further ensure pay for performance, executives receive limited perquisites, as shown on page 36. For additional information about perquisites, refer to "Executive Compensation — Summary Compensation Table — footnote 'f'."

Shareowner Alignment. Aligning the interests of our executives with Shareowners is an important way to drive behaviors that will generate long-term Shareowner value. We align these interests by using equity awards that have a long-term focus and by maintaining robust stock ownership guidelines (each of which is more fully described below). Equity-based incentives are an effective method of facilitating stock ownership and further aligning the interests of executives with

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those of our Shareowners. Consequently, a significant portion of our NEOs' total target compensation is comprised of equity-based incentives (70% for the CEO).

At the 2015 Annual Meeting of Shareowners, our Shareowners expressed strong support with approximately 96% of votes cast in favor of Kellogg's "Say-on-Pay" proposal. In addition, during the course of 2015, the Company continued its practice of engaging with our large Shareowners about various corporate governance topics including executive compensation. When setting compensation, and in determining compensation policies and practices like the change in long-term incentives mix, and the new 2015-2017 EPP metrics, the C&T Committee took into account feedback from Shareowners received through the Company's Shareowner outreach program, as well as the strong results of the 2015 Shareowner advisory resolution to approve executive compensation.

Longer-Term Focus. Our EPP is a stock-based, pay for performance, multi-year incentive plan intended to focus senior management on achieving critical goals over three-year periods. For the 2013-2015 EPP and 2014-2016 EPP, these goals were tied to financial metrics such as currency-neutral comparable net sales growth and currency-neutral comparable operating profit growth. For the 2015-2017 EPP, the metrics are cash flow and relative total shareowner return over three-year period. In addition, stock options granted in 2015 vest in three equal annual installments in 2016, 2017, and 2018 and are exercisable until the 10th anniversary of the grant date.

Stock Ownership Guidelines. Kellogg has established robust share ownership guidelines to strengthen the ongoing and continued link between the interests of NEOs and Shareowners. The Chairman and CEO is expected to own shares equal to at least six times his annual base salary. The other NEOs are expected to own shares equal to at least three times their annual base salary. The Company has a holding period which requires that all of our NEOs hold all shares received from option or stock awards (including EPP awards) until their respective ownership guideline is met. Our NEOs currently exceed their ownership guidelines.

Values-Based. Kellogg's compensation program is designed to reward an executive's performance and contribution to Kellogg's objectives. The NEOs are evaluated on their specific contributions, as well as the behaviors they exhibit as they drive results. In other words, our compensation is linked to "what" each NEO contributes as well as "how" an NEO makes those contributions. The shared behaviors (what we call our "K Values") that Kellogg expects from its NEOs and believes are essential to achieving long-term dependable and sustainable growth and increased value for Shareowners are as follows:

- acting with integrity and showing respect;
- being accountable for our actions and results;
- being passionate about our business, our brands and our food;
- having the humility and hunger to learn;
- striving for simplicity; and
- loving success.

Mitigating Risk. The compensation program is designed so that it does not encourage taking unreasonable risks relating to our business. Kellogg's compensation program mitigates risk by balancing short-term and rolling multi-year incentives which use various financial metrics to ensure the business grows in a balanced manner. In addition, the use of clawback provisions further drives risk mitigation by creating appropriate remedies under certain circumstances.

In 2015, the C&T Committee reviewed our compensation program for design features considered to encourage excessive risk taking and Kellogg's approach to those features. As a result of this review, and together with input from the independent compensation consultant, the C&T Committee determined that the risks arising from Kellogg's compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on Kellogg.

Clawback Policies. We maintain clawback provisions in each of our AIP, stock options, and EPP programs which give the Company the ability to recover ("clawback") previously granted payments. The provisions allow Kellogg to recoup performance-based gains by executive officers (and other program participants) for fraud or misconduct causing a financial restatement.

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III. **Compensation Approach.** Our compensation approach is based on (1) independent decision making, (2) utilizing compensation peer group data to appropriately target compensation levels, (3) targeting compensation at the 50th percentile of the compensation peer group, (4) following a consistent, rigorous target setting process, and (5) utilizing verification tools to ensure appropriate decisions are being made. Each is described more fully below.

Independence. Our C&T Committee is responsible for administering the compensation program for executive officers of Kellogg. The members of the Committee are fully independent. None of the Committee members are current or former employees of Kellogg, and they are not eligible to participate in any of our executive compensation programs. For more information, see "Board and Committee Membership — Compensation and Talent Management Committee." In addition, the Committee has utilized an independent compensation consultant for many years, and engaged Cook & Co. as its independent compensation consultant for 2015.

Cook & Co. works directly for the C&T Committee, and, pursuant to Company policy, is prohibited from providing any consulting or other services to Kellogg or our executive officers other than the work performed on behalf of the Committee or the Board. The Committee has considered the independence of Cook & Co. in light of SEC rules and NYSE listing standards. In connection with this process, the Committee has reviewed, among other items, a letter from Cook & Co. addressing the independence of Cook & Co. and the members of the consulting team serving the Committee, including the following factors: (i) services provided to Kellogg by Cook & Co., (ii) fees paid by Kellogg as a percentage of Cook & Co.'s total revenue, (iii) policies or procedures of Cook & Co. that are designed to prevent conflicts of interest, (iv) any business or personal relationships between the senior advisor of the consulting team with a member of the Committee, (v) any Company stock owned by the senior advisor or any member of his immediate family, and (vi) any business or personal relationships between our executive officers and the senior advisor. The Committee discussed these considerations and concluded that the work performed by Cook & Co. and its senior advisor involved in the engagement did not raise any conflict of interest.

Peer Group. We benchmark ourselves against comparable companies (our "compensation peer group") to ensure that our executive officer compensation is competitive in the marketplace. The C&T Committee uses peer group data to benchmark our compensation with respect to base salary, target annual and long-term incentives and total compensation. For 2015 compensation decisions, our compensation peer group was comprised of the following branded consumer products companies:

Campbell Soup Co.	Clorox Co.	The Coca-Cola Co.	Colgate-Palmolive Co.
ConAgra Foods, Inc.	Dr. Pepper Snapple Grp.	Estee Lauder Cos., Inc.	General Mills, Inc.
The Hershey Co.	H.J. Heinz Co.	Hormel Foods Corp.	Kimberly-Clark Corp.
Kraft Foods Group	Mattel, Inc.	Mondelēz International	McDonald's Corp.
NIKE, Inc.	PepsiCo Inc.	Whirlpool Corp.	Yum! Brands, Inc.

The Committee periodically reviews the compensation peer group to confirm that it continues to be an appropriate benchmark for our program. The Committee determines the compensation peer group, taking into account input from the independent compensation consultant whose viewpoints are based on objective screening criteria for a variety of factors. The Committee considers a variety of criteria to determine our compensation peer group, including companies that (i) are in the same or similar lines of business, (ii) compete for the same customers with similar products and services, (iii) have comparable financial characteristics that investors view similarly, (iv) consider Kellogg a peer, (v) proxy advisory firms consider Kellogg's peers, and (vi) are within a reasonable range in terms of percentile rank of Kellogg for key financial metrics such as revenue, pre-tax income, total assets, total equity, total employees, market capitalization, and composite percentile rank. The compensation peer group was changed for 2016 compensation decisions to include Kraft Heinz Company, The J.M. Smucker Co. and Keurig Green Mountain. Previously, the compensation peer group had included Kraft Foods Group and H.J. Heinz Co. as separate entities. J.M Smucker Co. and Keurig Green Mountain were added to maintain a well-balanced peer group across company sizes and operating segments.

We believe that our compensation peer group is representative of the market in which we compete for talent. The size of the group has been established so as to provide sufficient benchmarking data across the range of senior positions in Kellogg. Our compensation peer group companies were chosen because of their leadership positions in branded consumer products

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and their overall relevance to Kellogg. The quality of these organizations has allowed Kellogg to maintain a high level of continuity in the compensation peer group, providing a consistent measure for benchmarking compensation.

As reflected in the changes for 2016 compensation decisions, the composition of our compensation peer group has changed over time based on market events such as mergers and other business combinations.

50th Percentile. All components of our executive compensation package are targeted at the 50th percentile of our compensation peer group. We believe targeting the 50th percentile allows Kellogg to recruit the best talent for the organization, while providing a good balance between paying for performance and controlling our compensation expense. Once we set compensation at the 50th percentile, actual pay will depend largely upon Kellogg's performance versus our operating plan budgets and in part upon our performance peer group. Again, the design drives pay for performance. Our 2015 "performance peer group" consists of food companies in the broader compensation peer group (Campbell Soup Co., ConAgra Foods, Inc., General Mills, Inc., The Hershey Co., Kraft Foods Group, Mondelēz International and PepsiCo Inc.), plus Danone S.A., The J.M. Smucker Co., McCormick & Co., Nestlé S.A. and Unilever N.V. The performance peer companies were chosen because they most closely compete with Kellogg in the consumer marketplace and for investors' dollars, and face similar business dynamics and challenges.

Process. Each year, the C&T Committee follows a consistent, rigorous process to determine compensation for the NEOs and other senior executives. The following process occurs during several meetings over several months.

- The independent compensation consultant presents the Committee with relevant compensation information such as a market assessment, compensation peer group benchmarking data, information about other relevant market practices, and emerging trends.
- The independent consultant makes recommendations to the Committee regarding target levels for total compensation and each pay element for the CEO.
- The CEO makes recommendations to the Committee regarding the performance and compensation for each NEO (other than himself).
- The Committee reviews the information provided by the independent compensation consultant and the compensation recommendations at regular meetings and in Executive Session.
- Based on its review of performance versus our operating plan, performance against the performance peer group, individual performance, input from the independent compensation consultant and other factors, the Committee makes recommendations to the independent members of the Board regarding the compensation for the CEO and the other NEOs.
- The independent members of the Board determine the compensation of the CEO and the other NEOs.

Verification Tools. The C&T Committee utilizes several tools to help verify that the design of our program is consistent with our Core Principles and that the amount of compensation is within appropriate competitive parameters. For example, each year, the Committee reviews "pay tallies," which includes a detailed analysis of each NEO's target and actual annual cash compensation, equity awards, retirement benefits, perquisites, change-in-control and severance payments. The Committee also reviews wealth accumulation, which includes the projected value of each NEO's equity awards and retirement benefits. This analysis describes the amount of compensation each NEO has accumulated to date. In connection with this review, no unintended consequences or other concerns of the compensation program design were discovered. In addition, the Committee concluded that the total compensation of the NEOs aligns pay with performance and is appropriate and reasonable. In addition, our Committee uses a key financial metric, total shareowner return, as a tool to verify our pay for performance connection.

IV. Compensation Plans and Design. NEO compensation includes a combination of annual cash and long-term incentive compensation. Annual cash compensation for NEOs is comprised of base salary and the AIP. Long-term incentives consist of stock option grants and three-year EPP awards.

Total Compensation. The target for total compensation and each element of total compensation is the 50th percentile of our compensation peer group. In setting the compensation for each NEO, the C&T Committee considers individual performance, experience in the role and contributions to achieving our business strategy. We apply the same Core Principles

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and Compensation Approach in determining the compensation for all of our NEOs, including the CEO. The Committee also exercises appropriate business judgment in how it applies the standard approaches to the facts and circumstances associated with each NEO.

At the time we set compensation, actual compensation percentiles for the preceding fiscal year are not available, so we are unable to compare actual to target compensation on a percentile basis for our NEOs because of timing. The companies in our compensation peer group do not all report actual compensation on the same twelve month basis. Even if this information were available, we do not believe it would provide Shareowners with a fair understanding of our executive compensation program because actual compensation can be impacted by a variety of factors, including changes in stock prices, company performance and vesting of retirement benefits.

Key elements of our 2015 NEO compensation program are as follows.

Element		Performance / Vesting Period (yrs.)	Purpose	Characteristics
Fixed	Base Salaries	—	Compensates executives for their level of responsibility and sustained individual performance. Also, helps attract and retain strong talent.	Fixed component; evaluated annually.
	Retirement Plans	Long-Term	Provides an appropriate level of replacement income upon retirement. Also, provides an incentive for a long-term career with Kellogg, which is a key objective.	Fixed component; however, contributions tied to pay vary based on performance.
Performance - Based	Annual Incentives (AIP)	1	Promotes achieving our annual corporate and business unit financial goals, as well as people safety, food safety and diversity and inclusion.	Performance-based cash opportunity; amount varies based on company and business results, and individual performance.
	Long-Term Incentives (EPP and Options)	3	Promotes (a) achieving our long-term corporate financial goals through the EPP and (b) stock price appreciation through stock options.	Performance-based equity opportunity; amounts earned/realized will vary from the targeted grant-date fair value based on actual financial and stock price performance.
Other	Post-Termination Compensation	—	Facilitates attracting and retaining high caliber executives in a competitive labor market in which formal severance plans are common.	Contingent component; only payable if the executive's employment is terminated under certain circumstances.

Base Salaries. Base salaries for NEOs are targeted at the 50th percentile of the compensation peer group, and are set based on an NEO's experience, proficiency, and sustained performance in role. The C&T Committee judged each NEO's base salary for 2015 to be appropriately positioned relative to the 50th percentile based on this analysis. Annually, the C&T Committee evaluates whether to award base salary merit increases, including considering changes in an NEO's role and/or responsibility. In 2015, the NEOs received base salary merit increases that in the Committee's view correctly positioned each NEO's salary relative to the 50th percentile based on sustained performance.

Annual Incentives. Annual incentive awards to the NEOs are paid under the terms of the Kellogg Senior Executive Annual Incentive Plan ("AIP"), which was approved by the Shareowners and is administered by the C&T Committee. Awards granted to NEOs under the terms of the AIP are intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code. Once the targets for purposes of Section 162(m) are reached, as was the case for fiscal 2015, the Committee uses a judgment-based methodology in exercising its discretion from the maximum payout

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level permitted under Section 162(m) to determine the actual payout for each NEO. Over the three performance years preceding 2015, the Company's corporate AIP payouts have been below target, third or fourth quartile, payouts.

As part of its AIP methodology, at the beginning of fiscal 2015, the Committee established annual incentive opportunities for each NEO as a percentage of the executive's base salary ("AIP Target"). The AIP Targets for each NEO are based on the 50th percentile of the compensation peer group. Each year, the Committee sets performance ranges (which we refer to as "bandwidths") centered on performance targets for currency-neutral comparable operating profit, currency-neutral comparable net sales, and cash flow to help determine what percentage of the AIP Target would be paid out to each NEO. The targets and bandwidths are based on our operating plan for the fiscal year and are designed to achieve our objectives for sustainable, dependable growth. Targets are then compared with the forecasted performance of the performance peer group to ensure that our operating plan targets are reasonable and challenging relative to the forecasted performance for the performance peer group. Operating plan targets generally fall within the median range of forecasted performance for the performance peer group with the maximum and minimum of the bandwidth falling generally within the top and bottom quartiles, respectively, of the performance peer group forecast.

The actual percent of the AIP Target paid to our NEOs each year can range from 0% to 200% of the target opportunity, based primarily upon performance against currency-neutral comparable operating profit, currency-neutral comparable net sales, cash flow, safety and diversity. Consistent with the 0% to 200% bandwidth for the AIP payout relative to AIP Target, each performance metric similarly can have an impact above or below the 100% target depending on performance against that metric, with the actual AIP payout capped at 200% of AIP Target.

The C&T Committee and management believe that by using the financial metrics of operating profit, net sales, and cash flow, Kellogg is encouraging profitable top line growth and cash generation for Shareowners. The Committee and management further believe that the financial metrics should measure comparable operating performance, as such measures provide a clearer view into the Company's underlying performance. Consequently, our measures of currency-neutral comparable operating profit and currency-neutral comparable net sales used for the AIP exclude the impact of foreign currency translation, mark-to-market adjustments, acquisitions, dispositions, transaction and integration costs associated with the acquisitions and investments in joint ventures, costs related to Project K, and differences in shipping days. We also measure cash flow by reducing operating cash flow by an amount equal to Kellogg's capital expenditures. Currency-neutral comparable operating profit, currency-neutral comparable net sales, and cash flow are non-GAAP measures which will differ from, for example, the GAAP measures of operating profit or net sales growth. In addition, the performance targets for currency-neutral comparable operating profit growth and currency-neutral comparable net sales growth used in the AIP reflect certain budgeted assumptions relating to integration costs and shipping day differences in our operating plan to facilitate year-to-year comparisons. As a result of the budgeted assumptions, performance reported in our financial statements may differ from performance against our AIP performance targets.

In addition to operating results, each NEO is held accountable for achieving annual goals set at the start of the fiscal year relating to current organizational capabilities and future organizational requirements. Consistent with our commitment to a balanced approach between individual performance and adherence to our Core Principles, the NEOs are assessed both against their level of individual achievement against these agreed upon goals and the alignment of their behavior in achieving those goals with our core values. We refer to this as balancing the "what" and the "how" of individual performance.

2015 AIP Payouts. The payout factor for the 2015 AIP is 121% of target, which is the formulaic result of the Company's performance against the targets established at the beginning of the year for operating profit, net sales and cash flow. For our NEOs, 90% of their target opportunity consisted of currency-neutral comparable operating profit growth, currency-neutral comparable net sales growth and cash flow performance and are weighted 50%, 30% and 20%, respectively. People safety, food safety and quality, and diversity and inclusion comprise the remaining 10% of target opportunity.

In 2015, the Company's focus was on taking the necessary actions to improve business trends, build momentum, and position the Company to return to our long-term corporate targets in 2016 for net sales, operating profit, and earnings per share. The Company achieved these goals. Our overall trends in 2015 represented a significant year-over-year improvement and momentum built as the year progressed. The Company's projections for performance in 2016 represent further improvement, building on the foundation created over the past two years. Specifically, the Company exceeded the 2015 AIP

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targets for currency-neutral comparable operating profit, currency-neutral comparable net sales, and cash flow. The Company built momentum in our key businesses throughout the year, culminating with fourth quarter currency-neutral comparable net sales growth of 4.2% and currency-neutral comparable operating profit growth of 2.8%. Our U.S. cereal business saw significant improvement throughout the year and ended the year with fourth quarter consumption growth for the Kellogg brand of more than 2% and a category share gain of 70 basis points. The Company also announced 2016 guidance consistent with our long-term corporate targets. Awards for the 2015 AIP are reflective of that performance.

- Operating profit. The AIP performance target for currency-neutral comparable operating profit was a decline of 2.5%, which included a 4% negative impact from the rebasing of incentive compensation. Without this headwind, the performance target would have been growth of 1.5%. The full-year performance exceeded the target and was a decline of 2.3% which, without the impact from rebasing incentive compensation, would have been growth of approximately 1.7%.
- Net sales. The AIP performance target for currency-neutral comparable net sales was 0.5% growth, while full-year actual performance exceeded the target with 1.2% growth.

  Cash flow. The AIP performance target for cash flow was $1.0 billion, which took into account an approximately $350 million cash flow impact from the execution of Project K. The Company's 2015 full-year performance exceeded the target with cash flow of $1.1 billion.

Overall, currency-neutral comparable operating profit, currency-neutral comparable net sales, and cash flow were all above expectations, and the resulting AIP payout factor for the financial metrics was 124% of target.

For the non-financial metrics, objective and challenging performance targets were set at the beginning of the fiscal year for:

- Food safety and quality measures. The Company was above target for the food safety and quality measures, with strong performance in quality and food safety audits and a reduction in consumer complaints.
- Diversity and inclusion. The Company continues its focus on diversity and inclusion as an important enabler to its business. In 2015, the Company improved representation in key areas of the business and was recognized as a top company for diversity. Despite that, the Company was slightly below target on the metrics established for this area.
- People safety. The Company was below target on its challenging people safety metrics, but continues to see world-class levels of performance in total recordable incidents and loss time incidents.

The AIP payout factor for the non-financial metrics was 90% of target.

The formulaic result of Kellogg's performance against its financial and non-financial metrics is a payout factor of 121% of target. In exercising its judgment-based methodology to ensure appropriate pay for the Company's performance, the C&T Committee considered a number of factors, including:

- actual performance against the targets;
- performance versus the performance peer group;
- total shareowner return;
- alignment between estimated quartile performance and quartile payout;
- launching zero-based budgeting in North America to provide additional financial visibility for the Company in the future; and
- refreshing our strategy in 2015 and establishing our 2020 growth plan with specific growth goals and initiatives.

The 2015 performance is reflected in the fact that the Committee determined that our NEOs should receive a second quartile payout of 121% of target for the 2015 AIP, before consideration for individual performance. The C&T Committee considered Mr. Norman's individual performance in 2015, and awarded him an AIP payout equal to 156% of his AIP Target. The Committee considered a number of factors in assessing Mr. Norman's individual performance, including: his role in improving trends in the U.S. cereal business; his contributions to the Company's overall growth strategy; and his leadership in the Company's implementation of zero-based budgeting in North America. The Committee also considered Mr. Pilnick's

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individual performance in 2015, and awarded him an AIP payout equal to 156% of his AIP Target. The Committee considered a number of factors in assessing Mr. Pilnick's individual performance, including: his leadership role in refreshing the Company's strategy and establishing the 2020 growth plan with specific growth goals and initiatives; the successful completion of several corporate development activities, including the Company's transformative transaction in Western Africa; and his important role in key Project K initiatives.

The chart below includes information about the 2015 AIP for each NEO.

	AIP Target		AIP Maximum	2015 AIP Payout (Paid in March 2016)	
Name	**% of Base Salary(1)**	**Amount($)**	**Amount($)**	**% of AIP Target**	**Amount of AIP Payout ($)**
John Bryant	165%	1,980,000	3,960,000	121%	2,395,800
Paul Norman	105%	798,000	1,596,000	156%	1,244,900
Ron Dissinger	100%	689,000	1,378,000	121%	833,700
Alistair Hirst	85%	474,100	948,200	121%	573,700
Gary Pilnick	90%	605,900	1,211,800	156%	945,200

(1) For AIP purposes, incentive opportunities are based on executives' salary levels at the last day of the calendar year. Annual salary increases become effective in April of each year.

Long-Term Incentives. Long-term incentives are provided to our executives under the 2013 Long-Term Incentive Plan ("LTIP"), which was approved by our Shareowners. These incentives are intended to promote achieving our long-term corporate financial goals and earnings growth. The LTIP allows for grants of stock options, stock appreciation rights, restricted shares and units and performance shares and units (such as EPP awards), and is intended to meet the deductibility requirements of Section 162(m) of the Internal Revenue Code as performance-based pay (resulting in paid awards being tax deductible to Kellogg). The total amount of long-term incentives for the NEOs (based on the grant date expected value) is targeted at the 50th percentile of the compensation peer group.

All of the 2015 long-term incentive opportunity for the NEOs was provided through equity-based awards, which the C&T Committee believes best achieves several of the Core Principles, including Pay for Performance and Shareowner Alignment. For 2015, the Committee determined that the NEOs would receive approximately 50% of their total long-term incentive opportunity in stock options and the remaining 50% in performance shares (granted under the EPP, as discussed below). The Committee established this mix of awards after considering our Core Principles, compensation peer group practices and cost implications.

Executive Performance Plan. The EPP is a stock-based, pay for performance, multi-year incentive plan intended to focus senior management on achieving critical multi-year operational goals. Performance under EPP is measured over a three-year performance period based on performance levels set at the start of the period. The performance levels are based on our long-range operating plan, and are intended to be realistic and reasonable, but challenging, in order to drive sustainable growth. The EPP contemplates the use of various metrics, as determined by the C&T Committee from time to time. The Committee periodically changes the metrics as a way to ensure the business focuses on driving long-term value for our Shareowners. For the 2010-2012 EPP, 2011-2013 EPP, and 2012-2014 EPP, the payouts were below target, fourth quartile payouts.

- 2013-2015 EPP. The payout for the 2013-2015 EPP is 35% of target. For the 2013-2015 EPP, the metrics were currency-neutral comparable net sales and currency-neutral comparable operating profit, which were chosen to drive key business goals and increase Shareowner value. Currency-neutral comparable net sales and currency-neutral comparable operating profit exclude the impact of foreign currency translation, mark-to-market adjustments, acquisitions, dispositions, transaction and integration costs associated with acquisitions and investments in joint ventures, costs related to Project K, and differences in shipping days. Vested EPP awards are paid in Kellogg common stock.

  The 2013-2015 EPP performance period ended on January 2, 2016 (the last day of fiscal 2015). In February 2016, after Kellogg's 2015 annual audited financial statements were completed, the C&T Committee reviewed our

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performance versus the net sales and operating profit growths target established in 2013 for purposes of Section 162(m). The Committee determined that the target set for purposes of Section 162(m) had been reached. The Committee then considered other aspects of company performance and used a judgment-based methodology in exercising its discretion to determine the actual payout for each NEO.

For the period covering fiscal years 2013-2015, Kellogg's currency-neutral comparable net sales declined at a rate of 0.3% and currency-neutral comparable operating profit declined at a rate of 1.5%, which if unadjusted, would have resulted in a payout of up to 50% of the 2013 -2015 EPP target share amount. The Committee concluded that a payout of 35% of target was appropriate for the Company's performance during this period after considering the financial performance as well as the following factors:

- the total shareowner return for Kellogg of 41.4% from 2013 to 2015, placing Kellogg in the third quartile of our performance peer group;
- payouts for similar programs for our compensation peer group; and
- the execution of Project K, Kellogg's four-year efficiency and effectiveness program announced in November 2013.

The 2013-2015 EPP awards vested in February 2016.

The chart below includes information about 2013-2015 EPP opportunities and actual payouts:

			2013-2015 EPP Payout (Paid in February 2016)		
Name	**EPP Target Share Amount (#)**	**EPP Maximum Share Amount (#)**	**% of EPP Target**	**Share Amount (#)**	**Pre-tax Value Realized ($)(1)**
John Bryant	46,700	93,400	35%	16,345	1,234,374
Paul Norman	8,100	16,200	35%	2,835	214,099
Ron Dissinger	8,100	16,200	35%	2,835	214,099
Alistair Hirst	3,900	7,800	35%	1,365	103,085
Gary Pilnick	5,400	10,800	35%	1,890	142,733

(1) The payout is calculated by multiplying the earned shares by the closing price of our common stock on February 19, 2016, which was $75.52 per share.

- 2015-2017 EPP. The C&T Committee reviews the EPP metrics annually and receives input on the metrics from Cook & Co. and through the Company's Shareowner outreach program. For the 2015-2017 EPP, the metrics were changed to cumulative cash flow and relative total shareowner return, which tie directly to the creation of Shareowner value.

  Awards granted to NEOs under the terms of the EPP are intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code. Once the Committee confirms the performance level delivered is at the level for which the NEOs are eligible to receive a payout under the EPP, the Committee uses a judgment-based methodology in exercising its discretion to determine the actual payout for each NEO. The Committee does not consider individual performance in determining payouts and instead weighs only Company performance when determining actual payouts under the EPP.

  In 2015, the Committee also set each individual's target at 50% of his or her total long-term incentive opportunity. Participants in the EPP have the opportunity to earn between 0% and 200% of their EPP target, however, dividends are not paid on unvested EPP awards. For the 2015-2017 EPP, the erformance target for cumulative cash flow is $3.1 billion and total shareowner return relative to the relevant peer group at the 50th percentile. The 2015-2017 EPP cycle began on January 4, 2015 (first day of fiscal 2015) and concludes on December 30, 2017 (last day of fiscal 2017). The 2015-2017 EPP award opportunities, presented in number of potential shares that can be earned, are included in the Grant of Plan-Based Awards Table on page 44 of this proxy statement.

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Stock Options. The C&T Committee believes stock options align NEOs with Shareowners because the options provide value to the NEO only if our stock price increases after the grants are made. Stock option awards for our NEOs are determined on a position-by-position basis using proxy and survey data for corresponding positions in our compensation peer group. Individual awards may vary from target levels based on the individual's performance, ability to impact financial performance and future potential. The exercise price for the options is set at the closing trading price on the date of grant. The minimum vesting period for stock option awards to our NEOs is three years, with one-third of the stock option award vesting each year over the three-year period. Stock options are exercisable for ten years after grant, which further drives Shareowner alignment by encouraging a focus on long-term growth and stock performance.

The options granted in 2015 vest and become exercisable in three equal annual installments with one-third vesting on February 20, 2016 (the first anniversary of the grant date), one-third vesting on February 20, 2017 (the second anniversary of the grant date) and the final third vesting on February 20, 2018 (the third anniversary of the grant date). The per-share exercise price for the stock options is $64.09, the closing trading price of Kellogg common stock on the date of the grant. Approximately 84% of the stock options covered by the 2015 grant were made to employees other than the NEOs.

Other Long-Term Incentives.

- Restricted Stock and Restricted Stock Units. We award restricted stock and restricted stock units from time to time to selected executives and employees based on a variety of factors, including facilitating recruiting and retaining key executives. The Company's practice when granting any of these awards to NEOs is to provide a grant approximately equal to one times the employee's base salary. For grants to NEOs, restricted stock awards vest and become unrestricted after a three year post-grant holding period. In 2015, there were no restricted stock or restricted stock units issued to the NEOs.
- Post-Termination Compensation. The NEOs are covered by arrangements which specify payments in the event the executive's employment is terminated. These severance benefits, which are competitive with the compensation peer group and general industry practices, are payable if and only if the executive's employment is terminated without cause. The Kellogg Severance Benefit Plan and the Change of Control Policy have been established primarily to attract and retain talented and experienced executives and further motivate them to contribute to our short- and long-term success for the benefit of our Shareowners. Kellogg's severance program is consistent with market practices, and cash severance for our grandfathered NEOs is payable in the amount of two times the current annual salary plus two times target annual incentive awards prior to separation. In 2011, the C&T Committee modified severance benefits for newly-named senior executives to more closely align with the 50th percentile of our compensation peer group. Cash severance for newly-named senior executives is now payable in the amount of two times the current annual salary. The potential severance amount no longer includes annual incentive awards for newly-named senior executives. Cash compensation following a change in control for NEOs is payable in the amount of two times the current annual salary plus two times the current target annual incentive award and a prorated portion of the target annual incentive award for the current year. For more information, please refer to "Potential Post-Employment Payments," which begins on page 54 of this proxy statement.
- Retirement Plans. Our NEOs are eligible to participate in Kellogg-provided pension plans which provide benefits based on years of service and pay (salary plus annual incentive only) to a broad base of eligible employees. The amount of an employee's base salary and annual incentive payout are integral components of determining the benefits provided under pension and savings plan formulas, and thus, an individual's performance over time will influence the level of his or her retirement benefits. Amounts earned under long-term incentive programs such as EPP awards, gains from stock options and awards of restricted stock or restricted stock units are not included when determining retirement benefits for any plan participants. In addition, we do not pay above-market interest rates on amounts deferred under either our qualified or non-qualified savings and investment plans. For more information, please refer to "Retirement and Non-Qualified Defined Contribution and Deferred Compensation Plans," which begins on page 50 of this proxy statement.
- Perquisites. The C&T Committee believes that it has taken a conservative approach to perquisites. The Summary Compensation Table beginning on page 40 of this proxy statement contains itemized disclosure of all perquisites to our NEOs, regardless of amount.

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- Employee Stock Purchase Plan. We have a tax-qualified employee stock purchase plan that is made available to substantially all U.S. employees, which allows participants to acquire Kellogg stock at a discounted price. The purpose of the plan is to encourage employees at all levels to purchase stock and become Shareowners. The plan allows participants to buy Kellogg stock at a 5% discount to the market price. Under applicable tax law, no plan participant may purchase more than $25,000 in market value, as defined in the plan, of Kellogg stock in any calendar year.

V. Compensation Policies.

Executive Stock Ownership Guidelines. In order to preserve the linkage between the interests of senior executives and those of Shareowners, senior executives are expected to establish and maintain a significant level of direct stock ownership. This can be achieved in a variety of ways, including by retaining stock received upon exercise of options or the vesting of stock awards (including EPP awards), participating in the Employee Stock Purchase Plan and purchasing stock in the open market. The stock ownership requirement for our Chairman and CEO is six times annual base salary. The stock ownership requirement for our other NEOs under our stock ownership guidelines is three times annual base salary. Our current stock ownership guidelines (minimum requirements) are as follows:

Chairman and Chief Executive Officer	6x annual base salary
Named Executive Officers (other than the CEO)	3x annual base salary
Other senior executives	2-3x annual base salary depending on level

These executives have five years from the date they first become subject to a particular level of the guidelines or from the date of a material increase in their base salary to meet them. For purposes of complying with our guidelines, stock considered owned includes shares owned outright, shares acquired through the employee stock purchase plan, and 60% of unvested restricted stock and restricted stock units, and excludes unexercised stock options and unvested EPP awards.

The Company has a holding period which requires that all of our NEOs hold all shares received from option or stock awards (including EPP awards) until their respective ownership guideline is met. All of our NEOs currently meet their ownership guideline. The C&T Committee reviews compliance with the guidelines on an annual basis.

Practices Regarding the Grant of Equity Awards. The C&T Committee has generally followed a practice of making all option grants to executive officers on a single date each year. Prior to the relevant Committee meeting, the Committee reviews an overall stock option pool for all participating employees and recommendations for individual option grants to executives. Based on this review, the Committee approves the overall pool and the individual option grants to executives.

The Board grants these annual awards at its regularly-scheduled meeting in February. The February meeting usually occurs within a few weeks following our final earnings release for the previous fiscal year. We believe that it is appropriate that annual awards be made at a time when material information regarding our performance for the preceding year has been disclosed. We do not otherwise have any program, plan or practice to time annual option grants to our executives in coordination with the release of material non-public information. EPP awards are granted at the same time as options.

While most of our option awards to NEOs have historically been made pursuant to our annual grant program, the Committee and Board retain the discretion to make additional awards of options or restricted stock to executives at other times for recruiting or retention purposes. We do not have any program, plan or practice to time "off-cycle" awards in coordination with the release of material non-public information.

All option awards made to our NEOs, or any of our other employees, are made pursuant to our LTIP. The exercise price of options under the LTIP is set at the closing trading price on the date of grant. We do not have any program, plan or practice of awarding options and setting the exercise price based on the stock's price on a date other than the grant date, and we do not have a practice of determining the exercise price of option grants by using average prices (or lowest prices) of our common stock in a period preceding, surrounding or following the grant date. All grants to NEOs are made by the Board itself and not pursuant to delegated authority. Pursuant to authority delegated by the Board and subject to the Committee-approved allocation, awards of options to employees below the executive level are made by our CEO or his delegates.

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Securities Trading Policy. Our securities trading policy prohibits our Directors, executives and other employees from engaging in any transaction in which they may profit from short-term speculative swings in the value of our securities. This includes "short sales" (selling borrowed securities which the seller hopes can be purchased at a lower price in the future) or "short sales against the box" (selling owned, but not delivered securities), "put" and "call" options (publicly available rights to sell or buy securities within a certain period of time at a specified price or the like) and hedging transactions, such as zero-cost collars and forward sale contracts. In addition, this policy is designed to ensure compliance with relevant SEC regulations, including insider trading rules.

Clawback Policies. We maintain clawback provisions relating to stock options, AIP awards and EPP awards. Under the clawback provisions for stock options, if an executive voluntarily leaves our employment to work for a competitor within one year after any option exercise, then the executive must repay to Kellogg any gains realized from such exercise (but reduced by any tax withholding or tax obligations). Beginning with our stock option grants in 2009, we have expanded the scope of our clawback provisions. In the event of fraud or misconduct causing a financial restatement, any gains realized from the exercise of stock options are now subject to recoupment depending on the facts and circumstances of the event. Similarly, under our AIP and EPP terms and conditions, in the event of fraud or misconduct causing a financial restatement, the AIP or EPP awards for the plan year of the restatement are subject to recoupment depending on the facts and circumstances of the event.

Deductibility of Compensation and Other Related Issues. Section 162(m) of the Internal Revenue Code includes potential limitations on the deductibility of compensation in excess of $1 million paid to the Company's CEO and three other most highly compensated executive officers (other than our principal financial officer) serving on the last day of the year. Based on the regulations issued by the Internal Revenue Service, we believe we have taken the necessary actions to ensure the deductibility of payments under the AIP and with respect to stock options and performance shares granted under our plans, whenever possible. We intend to continue to take the necessary actions to maintain the deductibility of compensation resulting from these types of awards. In contrast, restricted stock and units granted under our plans generally do not qualify as "performance-based compensation" under Section 162(m). Therefore, the vesting of restricted stock and units in some cases will result in a loss of tax deductibility of compensation. While we view preserving tax deductibility as an important objective, we believe the primary purpose of our compensation program is to support our strategy and the long-term interests of our Shareowners. In specific instances we have and in the future may authorize compensation arrangements that are not fully tax deductible but which promote other important objectives of Kellogg and of our executive compensation program.

We require any executive base salary above $950,000 (after pre-tax deductions for benefits and similar items) to be deferred into deferred stock units under our Executive Deferral Program. This policy ensures that all base salary will be deductible under Section 162(m) of the Internal Revenue Code. The deferred amounts are credited to an account in the form of units that are equivalent to the fair market value of our common stock. The units are payable in stock upon the executive's termination from employment. The only NEO affected by this policy in 2015 was Mr. Bryant who deferred $158,000 of his salary.

The C&T Committee also reviews projections of the estimated accounting (pro forma expense) and tax impact of all material elements of the executive compensation program. Generally, accounting expense is accrued over the requisite service period of the particular pay element (generally equal to the performance period) and Kellogg realizes a tax deduction upon the approval of the payout or payment to the executive.

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COMPENSATION AND TALENT MANAGEMENT COMMITTEE REPORT

As detailed in its charter, the C&T Committee oversees our compensation program on behalf of the Board. In the performance of its oversight function, the Committee, among other things, reviewed and discussed with management the Compensation Discussion and Analysis set forth in this proxy statement.

Based upon the review and discussions referred to above, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the fiscal year ended January 2, 2016 and our proxy statement to be filed in connection with our 2016 Annual Meeting of Shareowners, each of which will be filed with the SEC.

COMPENSATION AND TALENT MANAGEMENT COMMITTEE

John Dillon, Chair
Gordon Gund
Ann McLaughlin Korologos
Cynthia Milligan
Rogelio Rebolledo
Carolyn Tastad

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Summary Compensation Table.

The following narrative, tables and footnotes describe the “total compensation” earned during 2015, 2014 and 2013 by our NEOs. The total compensation presented below does not reflect the actual compensation received by our NEOs or the target compensation of our NEOs in 2015, 2014 and 2013. The actual value realized by our NEOs in 2015 from long-term incentives (options and 2012-2014 EPP) is presented in the Option Exercises and Stock Vested Table on page 48 of this proxy statement. Target annual and long-term incentive awards for 2015 are presented in the Grant of Plan-Based Awards Table beginning on page 44 of this proxy statement.

The individual components of the total compensation calculation reflected in the Summary Compensation Table are broken out below:

Salary. Base salary earned during 2015. Refer to “Compensation Discussion and Analysis — Compensation Plans and Design — Base Salaries.”

Bonus. We did not pay any discretionary bonuses to our NEOs in 2015. Each NEO earned an annual performance-based cash incentive under our AIP, as discussed below under “Non-Equity Incentive Plan Compensation.” Refer to “Compensation Discussion and Analysis — Compensation Plans and Design — Annual Incentives.”

Stock Awards. The awards disclosed under the heading “Stock Awards” consist of EPP awards and restricted stock unit awards. The dollar amounts for the awards represent the grant-date fair value calculated in accordance with FASB ASC Topic 718 for each NEO. Refer to Notes 1 and 8 to the Consolidated Financial Statements included in our annual Report on Form 10-K for the fiscal year ended January 2, 2016. Details about the EPP awards granted in 2015 are included in the Grant of Plan-Based Awards Table below. Refer to “Compensation Discussion and Analysis —Compensation Plans and Design — Long-Term Incentives” for additional information. The grant-date fair value of the stock-based awards will likely vary from the actual amount the NEO receives. The actual value the NEO receives will depend on the number of shares earned and the price of our common stock when the shares vest.

Option Awards. The awards disclosed under the heading “Option Awards” consist of annual option grants (each an “option”). The dollar amounts for the awards represent the grant-date fair value calculated in accordance with FASB ASC Topic 718 for each NEO. Refer to Notes 1 and 8 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 2, 2016. Details about the option awards made during 2015 are included in the Grant of Plan-Based Awards Table below. Refer to “Compensation Discussion and Analysis —Compensation Plans and Design — Long-Term Incentives — Stock Options” for additional information. The grant-date fair value of the stock option awards will likely vary from the actual value the NEO receives. The actual value the NEO receives will depend on the number of shares exercised and the price of our common stock on the date exercised.

Non-Equity Incentive Plan Compensation. The amount of Non-Equity Incentive Plan Compensation consists of the Kellogg Senior Executive AIP awards granted and earned in 2015, 2014 and in 2013. At the outset of each year, the C&T Committee grants AIP awards to the NEOs. Such awards are based on our performance each year and are paid in March following the completed year. For information on these awards refer to “Compensation Discussion and Analysis — Compensation Plans and Design — Annual Incentives.”

Change in Pension Value. The amounts disclosed under the heading “Change in Pension Value and Non-Qualified Deferred Compensation Earnings” represent the actuarial increase during 2015, 2014 and 2013 in the pension value provided under the pension plans. Kellogg does not pay above-market or preferential rates on non-qualified deferred compensation for employees, including the NEOs. A detailed narrative and tabular discussion about our pension plans and non-qualified deferred compensation plans, our contributions to our pension plans and the estimated actuarial increase in the value of our pension plans are presented under the heading “Retirement and Non-Qualified Defined Contribution and Deferred Compensation Plans.”

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Director and Officer Liability, Travel Accident and Group Personal Excess Insurance. Director and officer liability insurance ("D&O Insurance") insures our NEOs against certain losses that they are legally required to pay as a result of their actions while performing duties on our behalf. Travel accident insurance provides benefits to our NEOs in the event of death or disability (permanent and total) during travel on Kellogg corporate aircraft. Group personal excess insurance insures our NEOs for damages that an NEO is required to pay for personal injury or property damage in excess of damages covered by underlying insurance. Our D&O Insurance, travel accident insurance, and group personal excess insurance cover employees and others in addition to NEOs and do not break out the premium by covered individual or groups of individuals and, therefore, a dollar amount cannot be assigned for individual NEOs.

All Other Compensation. Consistent with our emphasis on performance-based pay, perquisites and other compensation are limited in scope and in 2015 were primarily comprised of retirement benefit contributions and the cost of death benefits.

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Summary Compensation Table

It is important to note that the information required by the Summary Compensation Table does not necessarily reflect the target or actual compensation for our NEOs in 2015, 2014 and 2013.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)(5)	Total ($)
John Bryant	2015	1,200,004	—	3,293,528	2,034,560	2,395,800	821,000	126,315	9,871,207
Chairman and Chief Executive Officer	2014	1,192,156	—	2,443,060	2,475,876	1,386,000	1,629,000	137,009 (7)	9,263,101
	2013	1,150,768	—	2,525,069	2,038,456	1,591,600	544,000	113,979	7,963,872
Paul Norman	2015	751,630	—	963,256	593,912	1,244,900	1,387,000	168,683	5,109,381
Senior Vice President, President, Kellogg North America	2014	718,838	—	448,615	598,968	557,200	1,353,000	1,211,094	4,887,715
	2013	698,950	—	1,055,060	472,234	681,600	— (6)	1,515,908	4,423,752
Ron Dissinger	2015	684,500	—	784,448	484,704	833,700	1,080,000	132,073	3,999,425
Senior Vice President and Chief Financial Officer	2014	665,000	—	443,210	592,596	515,500	1,465,000	176,948	3,858,254
	2013	638,462	—	1,011,372	469,119	689,000	1,207,000	127,403	4,142,356
Alistair Hirst	2015	552,770	—	507,584	312,664	573,700	842,000	57,364	2,846,082
Senior Vice President, Global Supply Chain	2014	513,838	—	308,085	408,516	510,300	2,097,000	58,710	3,896,449
	2013	424,998	—	210,873	228,641	496,400	1,182,000	49,983	2,592,895
Gary Pilnick	2015	670,540	—	599,872	368,764	945,200	429,000	71,947	3,085,323
Vice Chairman, Corporate Development and Chief Legal Officer	2014	659,000	—	345,920	458,784	458,500	526,000	72,675	2,520,879
	2013	635,228	—	865,383	312,746	532,400	— (6)	54,133	2,399,890

(1) Reflects the grant-date fair value of stock awards calculated in accordance with FASB ASC Topic 718 for each NEO. Refer to Notes 1 and 8 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 2, 2016 for a discussion of the relevant assumptions used in calculating the fair value. The table below presents separately the grant-date fair value for our EPP awards and restricted stock unit awards:

Name	Year	EPP ($)	RSU ($)	Total ($)
John Bryant	2015	3,293,528	—	3,293,528
	2014	2,443,060	—	2,443,060
	2013	2,525,069	—	2,525,069
Paul Norman	2015	963,256	—	963,256
	2014	448,615	—	448,615
	2013	437,967	617,093	1,055,060
Ron Dissinger	2015	784,448	—	784,448
	2014	443,210	—	443,210
	2013	437,967	573,405	1,011,372
Alistair Hirst	2015	507,584	—	507,584
	2014	308,085	—	308,085
	2013	210,873	—	210,873
Gary Pilnick	2015	599,872	—	599,872
	2014	345,920	—	345,920
	2013	291,978	573,405	865,383

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(2) If the highest level of performance conditions are achieved, then the grant-date fair value of the stock awards for each NEO is as follows, Mr. Bryant: $6,587,056, $4,886,120, and $5,050,138 for 2015, 2014, and 2013, respectively; Mr. Norman: $1,926,512, $897,230, and $875,934 for 2015, 2014, and 2013, respectively; Mr. Dissinger, $1,568,896, $886,420, and $875,934 for 2015, 2014, and 2013, respectively; Mr. Pilnick: $1,199,744, $691,840, and $583,956 for 2015, 2014, and 2013, respectively; and Mr. Hirst: $1,015,168, $616,170 and $421,746 for 2015, 2014 and 2013, respectively.

(3) Represents the grant-date fair value calculated in accordance with FASB ASC Topic 718 for each NEO for stock option grants. Refer to Notes 1 and 8 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 2, 2016 for a discussion of the relevant assumptions used in calculating the grant-date fair value.

(4) Solely represents the actuarial increase during 2015 (for 2015 compensation), 2014 (for 2014 compensation) and 2013 (for 2013 compensation) in the pension value provided under the U.S. Pension Plans for each NEO as we do not pay above-market or preferential earnings on non-qualified deferred compensation. The calculation of actuarial present value is generally consistent with the methodology and assumptions outlined in our audited financial statements, except that benefits are reflected as payable as of the date the executive is first entitled to full unreduced benefits (as opposed to the assumed retirement date) and without consideration of pre-retirement mortality. A variety of factors impact the actuarial increase in present value (pension value). In 2015, the primary factors impacting the pension value include increases in age, service, and pay, and changes in the discount rate.

(5) The table below presents an itemized account of "All Other Compensation" provided in 2015 to the NEOs. Consistent with our emphasis on performance-based pay, perquisites and other compensation are limited in scope.

Name	Kellogg Contributions to S&I and Restoration Plans(a) ($)	Company Paid Death Benefit (b) ($)	Financial Planning Assistance(c) ($)	Non-Business Aircraft Usage(d) ($)	Physical Exams(e) ($)	International Relocation and Assignment (f)($)	Total ($)
John Bryant	103,440	16,875	6,000	—	—	—	126,315
Paul Norman	52,353	16,259	6,000	—	14,930	79,141	168,683
Ron Dissinger	48,000	77,448	2,975	—	3,650	—	132,073
Alistair Hirst	42,523	11,934	2,907	—	—	—	57,364
Gary Pilnick	45,162	13,365	6,000	—	7,420	—	71,947

(a) For information about our Savings & Investment Plan and Restoration Plan, refer to "Retirement and Non-Qualified Defined Contribution and Deferred Compensation Plans — Non-Qualified Deferred Compensation" beginning on page 52.

(b) Annual cost for Kellogg-paid life insurance, Kellogg-paid accidental death and dismemberment, and Executive Survivor Income Plan (Kellogg funded death benefit provided to executive employees). This benefit has not been provided to new participants after December 31, 2010.

(c) Reflects reimbursement for financial and tax planning assistance.

(d) The incremental cost of Kellogg aircraft used for a non-business flight is calculated by multiplying the aircraft's hourly variable operating cost by a trip's flight time, which includes any flight time of an empty return flight. Variable operating costs include: (1) landing, parking, passenger ground transportation, crew travel and flight planning services expenses; (2) supplies, catering and crew traveling expenses; (3) aircraft fuel and oil expenses; (4) maintenance, parts and external labor (inspections and repairs); and (5) any customs, foreign permit and similar fees. Fixed costs that do not vary based upon usage are not included in the calculation of direct operating cost. On certain occasions, an NEO or an NEO's spouse or other family member may fly on the corporate aircraft as additional passengers. No additional direct operating cost is incurred in such situations under the foregoing methodology because the costs would not be incremental. Kellogg does not pay its NEOs any amounts in respect of taxes (so called gross up payments) on income imputed to them for non-business aircraft usage.

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(e) Actual cost of a physical health exam.

(f) As a global organization, senior executives are located in key business centers around the world. To facilitate the assignment of experienced employees to support the business, we provide for the reimbursement of certain expenses incurred as a result of their international relocation and assignment. The objective of this program is to manage through disruption and ensure that the employees not be financially disadvantaged or advantaged in a meaningful way as a result of the relocation. Mr. Norman was relocated to our offices in Switzerland in September 2012 to manage our European operations and has returned to the U.S. The payment of the following expenses is pursuant to our reimbursement policy on relocation and temporary international assignment, applicable to eligible employees who relocate at the request of Kellogg: relocation related payments ($11,128) to address the incremental cost of moving, housing, living and other associated costs; and tax equalization and other payments ($68,013) to ensure that Mr. Norman bears a tax burden that would be comparable to his U.S. tax burden on income that is not related to the international relocation and temporary assignment. Mr. Norman remains financially responsible for the amount of taxes he would have incurred if he had continued to live and work in the U.S.

In addition to the foregoing compensation, the NEOs also participated in health and welfare benefit programs, including vacation and medical, dental, prescription drug and disability coverage. These programs are generally available and comparable to those programs provided to all U.S. salaried employees.

(6) Due to the increase in fiscal year-end discount rates from 2012 to 2013, the actuarial value of the pensions for Mr. Norman and Mr. Pilnick decreased by $370,000 and $95,000, respectively, during 2013.

(7) 2014 All Other Compensation for Mr. Bryant includes $4,858 for financial planning assistance.

Grant of Plan-Based Awards Table.

During 2015, we granted the following plan-based awards to our NEOs:

- Stock Options;
- 2015 AIP grants (annual cash performance-based awards) paid in March 2016; and
- 2015-2017 EPP grants (multi-year stock performance-based awards).

Information with respect to each of these awards on a grant-by-grant basis is set forth in the table below. For a detailed discussion of each of these awards and their material terms, refer to “Executive Compensation — Summary Compensation Table” and “Compensation Discussion and Analysis — Compensation Plans and Design” above.

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Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant-date Fair Value of Stock and Option Awards ($)	
		Thres- hold ($)	Target ($)	Max- imum ($)	Thres- hold (#)	Target (#)	Max- imum (#)					
John Bryant												
Stock options	2/20/2015								272,000	64.09	2,034,560	(2)
2015 AIP		0	1,980,000	3,960,000								
2015-17 EPP	2/20/2015				0	57,100	114,200				3,293,528	(3)
Paul Norman												
Stock options	2/20/2015								79,400	64.09	593,912	(2)
2015 AIP		0	798,000	1,596,000								
2015-17 EPP	2/20/2015				0	16,700	33,400				963,256	(3)
Ron Dissinger												
Stock options	2/20/2015								64,800	64.09	484,704	(2)
2015 AIP		0	689,000	1,378,000								
2015-17 EPP	2/20/2015				0	13,600	27,200				784,448	(3)
Alistair Hirst												
Stock options	2/20/2015								41,800	64.09	312,664	(2)
2015 AIP		0	474,100	948,200								
2015-17 EPP	2/20/2015				0	8,800	17,600				507,584	(3)
Gary Pilnick												
Stock options	2/20/2015								49,300	64.09	368,764	(2)
2015 AIP		0	605,900	1,211,800								
2015-17 EPP	2/20/2015				0	10,400	20,800				599,872	(3)

(1) Represents estimated possible payouts on the grant date for annual performance cash awards granted in 2015 under the 2015 AIP for each of our NEOs. The AIP is an annual cash incentive opportunity and, therefore, these awards are earned in the year of grant. See the column captioned "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table for the actual payout amounts related to the 2015 AIP. See also "Compensation Discussion and Analysis — Compensation Plans and Design — Annual Incentives" for additional information about the 2015 AIP.

(2) Represents the grant-date fair value calculated in accordance with FASB ASC Topic 718. Refer to Notes 1 and 8 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 2, 2016. The grant-date fair value of the stock option awards will likely vary from the actual value the NEO receives. The actual value the NEO receives will depend on the number of shares exercised and the price of our common stock on the date exercised.

(3) Represents the grant-date fair value calculated in accordance with FASB ASC Topic 718. Refer to Notes 1 and 8 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 2, 2016. This grant-date fair value assumes that each participant earns the target EPP award (i.e., 100% of EPP target). The actual value the NEO receives will depend on the number of shares earned and the price of our common stock when the shares vest.

Outstanding Equity Awards at Fiscal Year-End Table.

The following equity awards granted to our NEOs were outstanding as of the end of fiscal 2015:

Stock Options (disclosed under the "Option Awards" columns). Represents annual option grants made in February of each year to our NEOs.

Restricted Stock and Restricted Stock Units (disclosed under the "Stock Awards" columns). On September 20, 2013, Messrs. Norman, Dissinger and Pilnick each received a grant of performance-based restricted stock units. The awards will vest in full on the third anniversary of the grant date, but only if Kellogg exceeds a minimum diluted earnings per share threshold measured on a cumulative basis commencing at the beginning of the fourth quarter of fiscal 2013 and ending at the

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end of the third quarter of fiscal 2016. If vested, the awards are paid in shares of common stock at the end of the performance period.

2013-2015 EPP Grants (disclosed under the "Stock Awards" columns). The 2013-2015 EPP cycle began on December 30, 2012 (first day of fiscal 2013) and concluded on January 2, 2016 (last day of fiscal 2015). Dividends are not paid on unvested EPP awards. The 2013-2015 awards are based on currency-neutral comparable net sales growth and currency-neutral comparable operating profit growth. The ultimate value of the awards will depend on the number of shares earned and the price of our common stock at the time awards are issued.

2014-2016 EPP Grants (disclosed under the "Stock Awards" columns). The 2014-2016 EPP cycle began on December 29, 2013 (first day of fiscal 2014) and concludes on December 31, 2016 (last day of fiscal 2016). Dividends are not paid on unvested EPP awards. The 2014-2016 awards are based on currency-neutral comparable net sales growth and currency-neutral comparable operating profit growth. The ultimate value of the awards will depend on the number of shares earned and the price of our common stock at the time awards are issued.

2015-2017 EPP Grants (disclosed under the "Stock Awards" columns). The 2015-2017 EPP cycle began on January 4, 2015 (first day of fiscal 2015) and concludes on December 30, 2017 (last day of fiscal 2017). Dividends are not paid on unvested EPP awards. The 2015-2017 awards are based on cumulative cash flow and relative total shareowner return. The ultimate value of the awards will depend on the number of shares earned and the price of our common stock at the time awards are issued.

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	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (2)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options(#) (3)	Option Exercise Price ($)(4)	Option Expiration Date(5)	Number of Shares or Units of Stock That Have Not Vested (#)(6)	Market Value of Shares or Units of Stock That Have Not Vested ($)(7)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested(#)(8)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(9)
John Bryant									
Options	290,300	—		53.01	2/18/2021				
	323,100	—		52.53	2/17/2022				
	218,133	109,067(10)		60.01	2/22/2023				
	116,566	233,134(11)		59.95	2/21/2024				
	—	272,000(12)		64.09	2/20/2025				
2013-15 EPP(13)								93,400	6,750,018
2014-16 EPP								90,400	6,533,208
2015-17 EPP								114,200	8,253,234
Paul Norman									
Options	73,400	—		53.20	2/19/2020				
	80,200	—		53.01	2/18/2021				
	97,800	—		52.53	2/17/2022				
	50,533	25,267(10)		60.01	2/22/2023				
	28,200	56,400(11)		59.95	2/21/2024				
	—	79,400(12)		64.09	2/20/2025				
Restricted Stock Units(14)						11,300	816,651		
2013-15 EPP(13)								16,200	1,170,774
2014-16 EPP								16,600	1,199,682
2015-17 EPP								33,400	2,413,818
Ron Dissinger									
Options	71,000	—		53.01	2/18/2021				
	75,600	—		52.53	2/17/2022				
	50,200	25,100(10)		60.01	2/22/2023				
	27,900	55,800(11)		59.95	2/21/2024				
	—	64,800(12)		64.09	2/20/2025				
Restricted Stock Units(14)						10,500	758,835		
2013-15 EPP(13)								16,200	1,170,774
2014-16 EPP								16,400	1,185,228
2015-17 EPP								27,200	1,965,744
Alistair Hirst									
Options	17,000	—		52.53	2/17/2022				
	24,466	12,234(10)		60.01	2/22/2023				
	19,233	38,467(11)		59.95	2/21/2024				
	—	41,800(12)		64.09	2/20/2025				
Restricted Stock (15)						13,357	965,310		
2013-15 EPP(13)								7,800	563,706
2014-16 EPP								11,400	823,878
2015-17 EPP								17,600	1,271,952
Gary Pilnick									
	46,900	—		53.20	2/19/2020				
	59,000	—		53.01	2/18/2021				
	67,700	—		52.53	2/17/2022				
	33,466	16,734(10)		60.01	2/22/2023				
	21,600	43,200(11)		59.95	2/21/2024				
Options	—	49,300(12)		64.09	2/20/2025				
Restricted Stock Units(14)						10,500	758,835		
2013-15 EPP(13)								10,800	780,516
2014-16 EPP								12,800	925,056
2015-17 EPP								20,800	1,503,216

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(1) On an award-by-award basis, the number of securities underlying unexercised options that are exercisable and that are not reported in Column 3 — "Number of Securities Underlying Unexercised Unearned Options."

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(2) On an award-by-award basis, the number of securities underlying unexercised options that are unexercisable and that are not reported in Column 3 — "Number of Securities Underlying Unexercised Unearned Options."

(3) On an award-by-award basis, there were no shares underlying unexercised options awarded under any equity incentive plan that have not been earned.

(4) The exercise price for each option reported in Columns 1 and 2 — "Number of Securities Underlying Unexercised Options" and Column 3 — "Number of Securities Underlying Unexercised Unearned Options."

(5) The expiration date for each option reported in Columns 1 and 2 — "Number of Securities Underlying Unexercised Options" and Column 3 — "Number of Securities Underlying Unexercised Unearned Options."

(6) The total number of shares of stock that have not vested and that are not reported in Column 8 — "Number of Unearned Shares, Units or Other Rights That Have Not Vested."

(7) Represents the number of shares of stock that have not vested and that are not reported in Column 9 — "Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested" multiplied by the closing price of our common stock on January 1, 2016 (the last trading day of fiscal 2015).

(8) Represents the "maximum" number of shares that could be earned under outstanding EPP awards. The cycle for the 2013-2015 EPP grants concluded on January 2, 2016, the cycle for the 2014-2016 EPP grants concludes on December 31, 2016 and the cycle for the 2015-2017 EPP grants concludes on December 30, 2017. The ultimate number of shares issued under the EPP awards will depend on the number of shares earned and the price of our common stock on the actual vesting date. For additional information with respect to these awards, refer to "Executive Compensation — Summary Compensation Table" and "Compensation Discussion and Analysis — Compensation Plans and Design."

(9) Represents the "maximum" number of shares that could be earned under outstanding EPP awards multiplied by the closing price of our common stock on January 1, 2016 (the last trading day of fiscal 2015). The ultimate value of the EPP awards will depend on the number of shares earned and the price of our common stock on the actual vesting date.

(10) One-third of these options vested on February 22, 2014; one-third vested on February 22, 2015; and one-third vested on February 22, 2016.

(11) One-third of these options vested on February 21, 2015; one-third vested on February 21, 2016; and one-third will vest on February 21, 2017.

(12) One-third of these options vested on February 20, 2016; one-third will vest on February 20, 2017; and one-third will vest on February 20, 2018.

(13) Vested on February 19, 2016. For actual payout amounts, see the 2013-2015 EPP table on page 35.

(14) The restricted stock units will vest in full on September 20, 2016, the third anniversary of the grant date, but only if Kellogg exceeds a minimum diluted earnings per share threshold measured on a cumulative basis commencing at the beginning of the fourth quarter of fiscal 2013 and ending at the end of the third quarter of fiscal 2016. If these performance thresholds are met, the awards are paid in shares of common stock at the end of the performance period.

(15) The restricted stock will vest in full on December 19, 2017, the fifth anniversary of the grant date.

Option Exercises and Stock Vested Table.

With respect to our NEOs, this table shows the stock options exercised by such officers during 2015 (disclosed under the "Option Awards" columns). The dollar value reflects the total pre-tax value realized by such officers (Kellogg stock price at exercise minus the option's exercise price), not the grant-date fair value disclosed elsewhere in this proxy statement. Value from these option exercises were only realized to the extent our stock price increased relative to the stock price at grant (exercise price). These options have been granted to the NEOs since 2005. Consequently, the value realized by the executives upon exercise of the options was actually earned over a period of up to 10 years.

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The 2012-2014 EPP cycle began on December 30, 2011 (first day of fiscal 2012) and concluded on January 3, 2015 (last day of fiscal 2014). Although the performance period ended on January 3, 2015, each NEO had to be actively employed by Kellogg on the date the awards vested (February 20, 2015) in order to be eligible to receive a payout.

	Option Awards(1)		Stock Awards(2)	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting(#)	Value Realized on Vesting ($)
John Bryant	150,400	2,203,650	12,110	776,130
Paul Norman	44,700	784,022	3,675	235,531
Ron Dissinger	90,900	1,294,008	2,835	181,695
Alistair Hirst	45,400	546,442	735	47,106
Gary Pilnick	93,600	1,723,169	2,555	163,750

(1) Mr. Bryant retained all after-tax shares acquired from the exercise of options in Kellogg stock; the other NEOs retained at least 10% of the after-tax shares acquired from the exercise of options in Kellogg stock, increasing the amount of their overall holdings.

(2) Does not reflect the payout of 2013-2015 EPP awards. The 2013-2015 EPP cycle began on December 30, 2012 (first day of fiscal 2013) and concluded on January 2, 2016 (last day of fiscal 2015). Although the performance period ended on January 2, 2016, each NEO had to be actively employed by Kellogg on the date the awards vested (February 19, 2016) in order to be eligible to receive a payout. See “Compensation Discussion and Analysis — Compensation Plans and Design — Long-Term Incentives — Executive Performance Plan — 2013-2015 EPP” and “Executive Compensation — Outstanding Equity Awards at Fiscal Year-End Table” for additional information.

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RETIREMENT AND NON-QUALIFIED DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

Our NEOs are eligible to participate in Kellogg-provided pension plans which provide benefits based on years of service and pay (salary plus annual incentive) to a broad base of eligible employees. Our NEOs are eligible to receive market-based benefits when they retire from Kellogg. The C&T Committee utilizes survey information for Fortune 500 companies compiled by Aon Hewitt, Willis Towers Watson, and Mercer, as well as industry survey data prepared by Aon Hewitt, to help determine the appropriate level of benefits. The Aon Hewitt industry survey data contain detailed retirement income benefit practices for a broad-based group of consumer products companies, which includes Kellogg, the companies in our compensation peer group (other than The Coca-Cola Co., who did not participate in the survey) and the following additional consumer products companies: Armstrong World Industries, Inc., Johnson & Johnson, S.C. Johnson Consumer Products, L'Oréal USA, Inc., McCormick & Company, Inc., The Procter & Gamble Co., Nestle USA, Inc., Reynolds American, Inc. and Unilever United States, Inc. Rather than commissioning a customized survey, the C&T Committee uses the same survey information used by Kellogg to set these benefits for all U.S. salaried employees. Since our NEOs participate in the same plans (with exceptions noted) as our eligible U.S. salaried employees, leveraging the survey data is a cost-effective way to set these benefits. Based on the industry survey, the Committee targets the median retirement income replacement among similarly situated executives. The targeted amount of the total retirement benefits is provided through a combination of qualified and non-qualified defined contribution plans and qualified and non-qualified defined benefit plans. The plans are designed to provide an appropriate level of replacement income upon retirement. These benefits consist of:

- annual accruals under our pension plans; and
- deferrals by the executive of salary and annual incentives, and matching contributions by us, under our savings and investment plans.

Both our U.S. pension program and our U.S. savings and investment program include restoration plans for our U.S. executives, which allow us to provide benefits comparable to those which would be available under our IRS qualified plans if the IRS regulations did not include limits on covered compensation and benefits. We refer to these plans as "restoration plans" because they restore benefits that would otherwise be available under the plans. These plans use the same benefit formulas as our broad-based IRS qualified plans, and use the same types of compensation to determine benefit amounts.

Amounts earned under long-term incentive programs such as EPP, gains from stock options and awards of restricted stock and restricted stock units are not included when determining retirement benefits for any employee (including executives). We do not pay above-market interest rates on amounts deferred under our savings and investment plans.

The amount of an employee's compensation is an integral component of determining the benefits provided under pension and savings plan formulas, and thus an individual's performance over time will influence the level of his or her retirement benefits.

Pension Plans. Our U.S. pension plans are composed of the Kellogg Company Pension Plan and the non-qualified restoration plans, which include the Kellogg Company Executive Excess Plan for accruals after December 31, 2004, and the Kellogg Company Excess Benefit Retirement Plan for accruals on or before December 31, 2004 (collectively, the "U.S. Pension Plans").

Below is an overview of our U.S. Pension Plans in which each NEO participates. Since 2008, Mr. Bryant and Mr. Pilnick have been treated as grandfathered participants under these plans.

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	Qualified Pension Plan	Non-Qualified Plans
Reason for Plan	Provide eligible employees with a competitive level of retirement benefits based on pay and years of service.	Provide eligible employees with a competitive level of retirement benefits by "restoring" the benefits limited by the Internal Revenue Code. Based on the formula used in the Qualified Pension Plan.
Eligibility	Salaried employees, including the CEO, CFO and other NEOs, and certain hourly and union employees.	Eligible employees impacted under the Internal Revenue Code by statutory limits on the level of compensation and benefits that can be considered in determining Kellogg-provided retirement benefits.
Payment Form	Monthly annuity.	Monthly annuity or lump sum at the choice of the executive.
Participation, as of January 1, 2003	Active Kellogg heritage employees who are 40 years of age or *older* or have 10 or *more* years of service.	
Retirement Eligibility	*Full Unreduced Benefit:* • Normal retirement age 65 • Age 55 with 30 or more years of service • Age 62 with 5 years of service *Reduced Benefit:* • Age 55 with 20 years of service • Any age with 30 years of service	
Pension Formula	Single Life Annuity = 1.5% x (years of service) x (final average pay based on the average of highest *three* consecutive years) — (Social Security offset)	
Pensionable Earnings	Includes only base pay and annual incentive payments. We do not include any other compensation, such as restricted stock grants, restricted stock unit grants, EPP payouts, gains from stock option exercises and any other form of stock- or option-based compensation in calculating pensionable earnings.	

The estimated actuarial present value of the retirement benefit accrued through January 2, 2016 appears in the following table. The calculation of actuarial present value is generally consistent with the methodology and assumptions outlined in our audited financial statements, except that benefits are reflected as payable as of the date the executive is first entitled to full unreduced benefits (as opposed to the assumed retirement date) and without consideration of pre-retirement mortality. Specifically, present value amounts were determined based on the financial accounting discount rate of 4.42% for the Qualified Pension Plan and 4.43% for the Non-Qualified Pension Plan. Benefits subject to lump-sum distributions were determined using an interest rate of 4.43% and current statutory mortality under the Pension Protection Act for each NEO. For further information on our accounting for pension plans, refer to Note 9 within Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 2, 2016. The actuarial increase in 2015 of the projected retirement benefits can be found in the Summary Compensation Table under the heading "Change in Pension Value and Non-Qualified Deferred Compensation Earnings" (all amounts reported under that heading represent actuarial increases in the Pension Plans). No payments were made to our NEOs under the Pension Plans during 2015. The number of years of credited service disclosed below equals an executive's length of service with Kellogg. For Mr. Pilnick, all of his years of service are reflected in the '2005 and After' plan because he had not yet vested in the earlier plan at the time the new plan was established to qualify for 409A treatment. For Mr. Hirst, all of his years of service are reflected in the '2005 and After' plan because he first became eligible for the U.S. pension plans in 2005 when he transferred from U.K. payroll to U.S. payroll. Per the terms of our U.S. pension plans, all of his years of service working for Kellogg in the U.K. and South Africa were included as years of service in the U.S. plan upon his transfer to U.S. payroll with offsets for any pension benefits he earned working for Kellogg in the U.K. and South Africa.

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Pension Benefits Table

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)	Payments During Last Fiscal Year ($)
John Bryant	U.S. Qualified Pension Plan	18	398,000	
	Non-Qualified Plan (2004 and before)	7	322,000	
	Non-Qualified Plan (2005 and after)	11	5,788,000	
	TOTAL		**6,508,000**	—
Paul Norman	U.S. Qualified Pension Plan	29	934,000	
	Non-Qualified Plan (2004 and before)	18	565,000	
	Non-Qualified Plan (2005 and after)	11	7,304,000	
	TOTAL		**8,803,000**	—
Ron Dissinger	U.S. Qualified Pension Plan	28	1,026,000	
	Non-Qualified Plan (2004 and before)	17	345,000	
	Non-Qualified Plan (2005 and after)	11	6,230,000	
	TOTAL		**7,601,000**	—
Alistair Hirst	U.S. Qualified Pension Plan	32	910,000	
	Non-Qualified Plan (2004 and before)	—	—	
	Non-Qualified Plan (2005 and after)	32	6,015,000	
	TOTAL		**6,925,000**	—
Gary Pilnick	U.S. Qualified Pension Plan	15	352,000	
	Non-Qualified Plan (2004 and before)	—	—	
	Non-Qualified Plan (2005 and after)	15	2,197,000	
	TOTAL		**2,549,000**	—

Non-Qualified Deferred Compensation.

We offer both qualified and non-qualified defined contribution plans for employees to elect voluntary deferrals of salary and annual incentive awards. Our defined contribution plans are composed of (1) the Savings & Investment Plan (which is a qualified plan available to substantially all salaried employees) and (2) the Restoration Savings & Investment Plan ("Restoration Plan"), which is a non-qualified plan as described below. Effective on January 1, 2005, the Restoration Plan was renamed the Grandfathered Restoration Plan to preserve certain distribution options previously available in the old Restoration Plan, but no longer allow for deferrals after January 1, 2005 under IRS regulations issued under Section 409A of the Internal Revenue Code. Deferrals after January 1, 2005 are included in a new Restoration Plan, which complies with IRS regulations under Section 409A. Under these plans, employees can defer up to 50% of base salary plus annual incentives. Payouts are generally made after retirement or termination of employment with Kellogg, either as annual installments or as a lump sum, based on the distribution payment alternative elected under each plan. Participants in the Restoration Plan may not make withdrawals during their employment. Participants in the Grandfathered Restoration Plan may make withdrawals during employment, but must pay a 10% penalty on any in-service withdrawal.

In order to assist employees with saving for retirement, we provide matching contributions on employee deferrals. Under this program, we match 100% of employee deferral contributions up to 3% of eligible compensation (i.e., base salary plus annual incentive), and 50% of employee deferral compensation between 3% and 5% of eligible compensation. Accordingly, if employees contribute 5% of eligible compensation, we provide a matching contribution of 4% of eligible compensation. No Kellogg matching contributions are provided above 5% of eligible compensation deferred by employees. Kellogg matching contributions are immediately vested.

Our Restoration Plan is a non-qualified, unfunded plan we offer to employees who are impacted by the statutory limits of the Internal Revenue Code on contributions under our qualified plan. The Restoration Plan allows us to provide the same matching contribution, as a percentage of eligible compensation, to impacted employees as other employees. All

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contributions to the Restoration Plan are treated as if they are invested in the Stable Income Fund, which was selected by Kellogg (and is one of the 11 investment choices available to employees participating in the Savings & Investment Plan). The average annual rate of return for the Stable Income Fund has been about 2.8% over the last 10 years. As an unfunded plan, no money is actually invested in the Stable Income Fund; contributions and earnings/losses are tracked in a book-entry account and all account balances are general Kellogg obligations.

The following table provides information with respect to our Restoration Plan for each NEO. This table excludes information with respect to our Savings & Investment Plan, which is a qualified plan available to all salaried Kellogg employees as described above.

Name	Executive Contributions in Last FY ($)(1)	Registrant Contributions in Last FY ($)(2)	Aggregate Earnings in Last FY ($)(3)	Aggregate Withdrawals Distributions ($)	Aggregate Balance at Last FYE ($)(4)(5)
John Bryant	162,470	92,840	38,484	—	2,365,037
Paul Norman	57,442	45,953	25,185	—	1,530,190
Ron Dissinger	192,000	38,400	23,728	—	1,499,329
Alistair Hirst	159,614	31,923	9,150	—	620,024
Gary Pilnick	47,221	37,777	27,580	—	1,665,848

(1) Amounts in this column are included in the "Salary" column in the Summary Compensation Table.

(2) Amounts in this column are Kellogg matching contributions and are reflected in the Summary Compensation Table under the heading "All Other Compensation."

(3) Represents at-market/non-preferential earnings on the accumulated balance in 2015.

(4) Aggregate balance as of January 2, 2016 is the total market value of the deferred compensation account, including executive contributions, Kellogg matching contributions and any earnings, including contributions and earnings from past fiscal years.

(5) The amounts in the table below are also being reported as compensation in the Summary Compensation Table in the years indicated.

Name	Fiscal Year	Reported Amounts ($)
John Bryant	2015	255,310
	2014	278,713
	2013	218,875
Paul Norman	2015	103,395
	2014	112,239
	2013	95,580
Ron Dissinger	2015	230,400
	2014	269,760
	2013	168,269
Alistair Hirst	2015	191,537
	2014	180,058
	2013	109,445
Gary Pilnick	2015	84,998
	2014	91,303
	2013	74,648

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POTENTIAL POST-EMPLOYMENT PAYMENTS

Our executive officers are eligible to receive benefits in the event their employment is terminated (1) by Kellogg without cause, (2) upon their retirement, disability or death or (3) in certain circumstances following a change in control. The amount of benefits will vary based on the reason for the termination.

The following sections present calculations, as of January 2, 2016, of the estimated benefits our executive officers would receive in these situations. Although the calculations are intended to provide reasonable estimates of the potential benefits, they are based on numerous assumptions and may not represent the actual amount an executive would receive if an eligible termination event were to occur.

In addition to the amounts disclosed in the following sections, each executive officer would retain the amounts he has earned or accrued over the course of his employment *prior to* the termination event, such as the executive's balances under our deferred compensation plans, accrued retirement benefits and previously vested stock options and other vested equity awards. For further information about previously earned and accrued amounts, see "Executive Compensation — Summary Compensation Table," "Executive Compensation — Outstanding Equity Awards at Fiscal Year End Table," "Executive Compensation — Option Exercises and Stock Vested Table" and "Retirement and Non-Qualified Defined Contribution and Deferred Compensation Plans."

Severance Benefits.

The NEOs are covered by arrangements which specify payments in the event the executive's employment is terminated. We believe these severance benefits are competitive with our compensation peer group and general industry practices. The Kellogg Company Severance Benefit Plan and the Change in Control Policy have been established primarily to attract and retain talented and experienced executives and further motivate them to contribute to our short- and long-term success for the benefit of our Shareowners, particularly during uncertain times.

The Kellogg Company Severance Benefit Plan provides market-based severance benefits to employees who are terminated by Kellogg under certain circumstances. Kellogg benefits from this program in a variety of ways, including that Kellogg has the right to receive a general release, non-compete, non-solicitation and non-disparagement agreement from separated employees in exchange for the benefits provided under the program.

The Change in Control Policy provides market-based benefits to executives in connection with a change in control in the event an executive is terminated without cause or the executive terminates employment for "good reason." The Change in Control Policy protects Shareowner interests by enhancing employee focus during rumored or actual change in control activity by providing incentives to remain with Kellogg despite uncertainties while a transaction is under consideration or pending.

If the employment of an executive (including an NEO) is terminated without cause, he or she will be entitled to receive benefits under the Kellogg Company Severance Benefit Plan. Benefits under the Severance Benefit Plan are not available if an executive is terminated for cause.

In the event we terminate the "at-will" employment of an NEO for reasons other than cause, he would receive severance-related benefits under the Kellogg Company Severance Benefit Plan. The plan is designed to apply in situations where Kellogg terminates employment for reasons such as (1) individual and Company performance; (2) a reduction in work force; (3) the closing, sale or relocation of a Kellogg facility; (4) the elimination of a position; or (5) other reasons approved by the Kellogg ERISA Administrative Committee. Under the plan:

- The executive is entitled to receive cash compensation equal to two times base salary and two times target annual incentive award, paid in installments over a two-year severance period.
- Kellogg has the discretion to pay the executive an annual incentive award for the current year at the actual payout level, prorated as of the date of termination.

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- Previously-granted stock option and restricted stock awards continue to vest during the two-year severance period. All awards not vested or earned after the two-year period are forfeited. EPP awards do not vest under the terms of the severance plan unless the executive is eligible to retire at the time of his termination.
- The executive is entitled to continue to participate in certain welfare and insurance benefits during the two-year severance period. However, executives do not earn any additional service credit during the severance period and severance payments are not included in pensionable earnings.
- The executive is entitled to receive outplacement assistance for 12 months following termination.

Severance-related benefits are provided only if the executive executes a separation agreement prepared by Kellogg, which may include a general release, non-compete, non-solicitation, non-disparagement and confidentiality provisions.

The following table presents the estimated separation benefits which we would have been required to pay to each NEO if his employment had been terminated as of January 2, 2016.

	Severance Pay									
	Cash Compensation			Vesting of Unvested			Benefits		Other	
Name	Two Times Base Salary ($)	Two Times Target Annual Incentive	2015 Annual Incentive ($)	Stock Options ($)(1)	EPP Awards ($)(2)	Restricted Stock/ Restricted Stock Units ($)(1)	Health and Welfare Benefits ($)(3)	Change to Retirement Benefits ($)(4)	Outplacement ($)	Total ($)
John Bryant	2,400,000	3,960,000	2,395,800	5,693,420	1,181,253	—	100,000	(2,481,000)	7,000	13,256,473
Paul Norman	1,520,000	1,596,000	1,244,900	1,437,832	204,885	—	100,000	(5,157,000)	7,000	953,617
Ron Dissinger	1,378,000	1,378,000	833,700	1,501,552	928,453	758,835	100,000	(415,000)	7,000	6,470,540
Alistair Hirst	1,115,600	— (5)	573,700	950,542	585,821	—	100,000	—	7,000	3,332,663
Gary Pilnick	1,346,400	1,211,800	945,200	1,006,367	136,590	—	100,000	(956,000)	7,000	3,797,357

(1) Represents the intrinsic value of unvested stock options, restricted stock units and restricted stock as of January 2, 2016 that would vest in connection with a termination, based on a stock price of $72.27. For Mr. Dissinger and Mr. Hirst, all of the outstanding stock options awarded prior to 2015 would vest at the end of their severance periods and their outstanding 2015 stock option award would partially vest, because they are retirement eligible, on a prorated basis until the end of their severance periods. For Mr. Dissinger, the restricted stock unit grants would fully vest at the end of his severance period because he is retirement eligible. Mr Hirst's restricted stock unit grant would be forfeited based on the terms and conditions of his award.

(2) Represents the value based on the actual number of shares paid out under the 2013-2015 EPP, which would be payable at our discretion, and a stock price of $72.27. For Mr. Dissinger and Mr. Hirst, who are retirement-eligible, includes the value based on the target number of shares under the 2014-2016 EPP and 2015-2017 EPP prorated for time worked during the performance period, in each case at a stock price of $72.27. Since our other NEOs are not retirement-eligible as of January 2, 2016, their 2014-2016 EPP and 2015-2017 EPP awards would be forfeited.

(3) Represents the estimated costs to Kellogg of continued participation in medical, dental and life insurance benefits during the severance period.

(4) Represents the increase (decrease) to the estimated actuarial present value of retirement benefit accrued through January 2, 2016 for each NEO associated with terminating an NEO's employment without cause. The estimated actuarial present value of retirement benefit accrued through January 2, 2016 appears in the Pension Benefits Table on page 52 of this proxy statement. For each NEO, changes to retirement benefits upon severance vary depending on age, service and pension formula at the time of termination. For each NEO (other than Mr. Hirst), the change to his retirement benefit is negative because, based on his age, service and pension formula, his pension benefit upon severance does not include early retirement subsidies that are assumed to be earned under the pension benefit calculated in the Pension Benefit Table.

(5) Mr. Hirst became a senior executive after the C&T Committee updated the Kellogg Company Severance Plan to, among other things, change the calculation of the cash severance amount for future participants. As a result, Mr. Hirst would not be eligible to receive the payment equal to two times the target annual incentive award.

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Retirement, Disability and Death

Retirement. In the event of retirement, an executive is entitled to (1) receive the benefits payable under our retirement plans and (2) accelerated vesting of unvested stock options granted in 2013 and 2014, prorated vesting of unvested stock options granted in 2015, continued vesting of his or her awards under our outstanding EPP plans (the amount of which will be based on our actual performance during the relevant periods and paid after the end of the performance periods) and continued vesting of his or her restricted stock units (depending on the terms and conditions of the award). EPP payouts are prorated as of the date of retirement. In addition, we have the discretion to pay an executive the actual annual incentive award for the current year, prorated as of the date of retirement.

The following table presents the estimated benefits payable, based on retirement as of January 2, 2016, to those NEOs who were retirement-eligible as of January 2, 2016, assuming they retired on that date. In addition to the benefits shown in this table, the NEOs would be entitled to their vested benefits under our retirement plans, which are described in the section of this proxy statement called "Retirement and Non-Qualified Defined Contribution and Deferred Compensation Plans."

	Additional Benefits Upon Retirement(1)					
	Cash Compensation		Vesting of Unvested Equity Awards			Total
Name	Base Salary ($)(2)	2015 Annual Incentive ($)(3)	Stock Options ($)(4)	EPP Awards ($)(5)	Restricted Stock/Restricted Stock Units ($)	($)
Ron Dissinger	—	833,700	1,147,840	928,453	758,835	3,668,828
Alistair Hirst	—	573,700	722,376	585,821	—	1,881,897

(1) Information regarding Mr. Bryant, Mr. Norman and Mr. Pilnick is not presented in this table because these individuals were not retirement-eligible as of January 2, 2016.

(2) Payable through retirement date only.

(3) Payable at our discretion.

(4) Represents the intrinsic value of unvested stock options that would vest upon retirement as of January 2, 2016 based on a stock price of $72.27. For awards made prior to 2015, this would include all stock options, and for awards made in 2015, this would include a prorated number of stock options.

(5) Valued based on the actual number of shares paid out under the 2013-2015 EPP and the prorated target number of shares under the 2014-2016 EPP and 2015-2017 EPP and, in each case, a stock price of $72.27.

Death or Disability. In the event of an NEO's death, his beneficiary would receive payouts under Kellogg-funded life insurance policies and our Executive Survivor Income Plan. However, the deceased NEO's retirement benefits would be converted to a joint survivor annuity, resulting in a decrease in the cost of these benefits. In the event of an NEO's disability, the executive would receive disability benefits starting six months following the onset of the disability with no reductions or penalty for early retirement.

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The following table presents the estimated benefits payable upon death or disability as of January 2, 2016.

	Additional Benefits Upon Death or Disability					
	Annual Incentive and Accelerated Vesting(1)	Adjustments Due to Death			Adjustments Due to Disability	
Name	Total ($)	Life Insurance and Executive Survivor Income Plan Benefits ($)(2)	Change to Retirement Benefits ($)(3)	Total for Death ($)	Change to Retirement Benefits ($)(4)	Total for Disability ($)
John Bryant	11,984,343	12,587,000	(2,953,000)	21,618,343	(2,481,000)	9,503,343
Paul Norman	4,261,320	7,155,000	(5,761,000)	5,655,320	(5,157,000)	(895,680)
Ron Dissinger	3,668,828	5,602,000	(4,045,000)	5,225,828	(415,000)	3,253,828
Alistair Hirst	2,847,207	3,100,000	(3,601,000)	2,346,207	—	2,847,207
Gary Pilnick	3,253,666	5,865,000	(1,120,000)	7,998,666	(956,000)	2,297,666

(1) Represents the aggregate value of the 2015 AIP, the intrinsic value of unvested stock options that would vest upon death or disability (which, for awards made prior to 2015, would be all stock options, and for awards made in 2015, a prorated number of stock options), the value of outstanding "target" EPP awards (which would continue to vest following death or disability, be payable based on our actual performance during the relevant periods and be paid following the end of the performance periods prorated for time worked during the performance period) and the value of restricted stock and restricted stock units (which would continue to vest following death or disability), in each case, based on a stock price of $72.27.

(2) Payment of death benefits for Company-paid life insurance and Executive Survivor Income Plan.

(3) Represents the incremental value of retiree medical and the increase (decrease) to the estimated actuarial present value of retirement benefits accrued through January 2, 2016 for each NEO associated with an NEOs retirement benefits being converted to a survivor annuity upon his death. The estimated actuarial present value of retirement benefits accrued through January 2, 2016 appears in the Pension Benefits Table on page 52 of this proxy statement. The Change to Retirement Benefits is negative because the benefits provided upon death do not include early retirement subsidies otherwise included in the estimate of retirement benefits. Also, the survivor annuity upon death is reduced to less than 50% of the benefit provided upon early or normal retirement.

(4) For each NEO (other than Mr. Hirst), the Change to Retirement Benefits is negative because the disability retirement payments begin at a later age (age 65) than early retirement benefits (age first eligible to receive an unreduced pension). The estimated actuarial present value of retirement benefits accrued through January 2, 2016 appears in the Pension Benefits Table on page 52 of this proxy statement.

Potential Change in Control Payments. We have arrangements with each of our current NEOs that provide for benefits that are only payable if a "change in control" occurs. In 2014, as part of its periodic review, the C&T Committee reviewed the Company's Change of Control Severance Policy (Policy) applicable to our NEOs and determined that certain changes were appropriate in light of evolving market practices. The Policy was changed to eliminate the excise tax gross-ups, simplify and reduce the potential amounts payable following a change in control, and add restrictive covenants and a release of claims as a condition to receiving payment under the Policy. At the same time, Mr. Bryant's change in control severance agreement was updated in a manner consistent with the changes made in the updated Policy.

Our 2009 Long-Term Incentive Plan and 2013 Long-Term Incentive Plan specify the treatment of outstanding, unvested equity awards granted under each respective plan to employees, including the NEOs, upon the occurrence of a change of control (regardless of whether employment terminates). The severance and other benefits payable to NEOs are due only if (1) there is a change in control and (2) we terminate an NEO's employment unrelated to cause, or if an NEO terminates his employment for good reason, within two years following the change in control, commonly referred to as a "Double Trigger."

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Good reason includes a material diminution of position, decrease in salary or target annual incentive percentage or meaningful change in location.

A “change in control” is defined in the arrangements to include a change in a majority of the Board, consummation of certain mergers, the sale of all or substantially all of our assets and Shareowner approval of a complete liquidation or dissolution. The “change in control” definition also includes an acquisition by a party of 20% or 30% of Kellogg common stock, depending on the post-acquisition ownership of the Kellogg Foundation and Gund family trusts (the “Trusts”). The applicable percentage is 20% or more if the Trusts do not collectively own more than 35% of the common stock. The applicable percentage is 30% or more if the Trusts collectively own more than 35% of the common stock.

The change-in-control related severance payments consist of the following:

Payments Triggered Upon a Change in Control. EPP awards, restricted stock units, and stock options will retain their original vesting schedules and will not automatically vest upon a change in control (and only vest if there is no assumption, continuation or substitution of the outstanding awards with substitute awards that are, in the judgment of the C&T Committee, of equivalent value).

The following table shows the value of unvested equity awards as of January 2, 2016 for each executive listed below upon a change in control.

	Vesting of Unvested Equity Awards			
Name	**Stock Options ($)(1)**	**EPP Awards ($)(2)**	**Restricted Stock / Restricted Stock Units ($)(3)**	**Total ($)**
John Bryant	6,434,332	4,738,383	—	11,172,715
Paul Norman	1,654,113	1,008,094	816,651	3,478,858
Ron Dissinger	1,525,246	928,453	758,835	3,212,534
Alistair Hirst	965,826	585,821	965,310	2,516,957
Gary Pilnick	1,140,657	696,105	758,835	2,595,597

(1) Represents the intrinsic value of unvested stock options as of January 2, 2016, based on a stock price of $72.27.

(2) Valued based on the actual number of shares paid out under the 2013-2015 EPP and the “target” number of shares under the 2014-2016 EPP and the 2015-2017 EPP and, in each case, a stock price of $72.27.

(3) Represents the value of unvested restricted stock and restricted stock units as of January 2, 2016, based on a stock price of $72.27.

Payments Triggered Upon a Termination Following a Change in Control. Cash severance is payable in the amount of two times the current annual salary plus two times the current target annual incentive award. In addition, executives are entitled to receive the annual incentive award for the current year at the target award level, prorated as of the date of termination. This amount is payable as a lump sum within 90 days after termination.

Additional retirement benefits would equal the actuarial equivalent of the benefit the executive would have received for two years of additional participation under our retirement plans. The executive will continue to participate in health and welfare benefit plans for a two-year period following termination, and will also receive outplacement assistance.

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The following table assumes that each NEO is terminated after a change in control for reasons other than cause, retirement, disability or death. The unvested equity awards that would vest upon the change in control, shown in the table immediately above, are also shown below in the column "Vesting of Unvested Equity." These values are estimated as of January 2, 2016.

	Cash Compensation			Benefits			Other	Subtotal			Estimated Payments Following CIC
Name	Two Times Base Salary ($)	Two Times Annual Incentive ($)(1)	2015 Annual Incentive Payment ($)	Health and Welfare Benefits ($)	Change to Retirement Benefits ($)(2)	Other Benefits and Perquisites ($)(3)	Out- placement ($)	If Termination Occurs ($)	Vesting of Unvested Equity ($)	Pay Reduction ($)(4)	Total If Termination Occurs ($)
John Bryant	2,400,000	3,960,000	1,980,000	100,000	(1,024,000)	50,000	7,000	7,473,000	11,172,715	(936,178)	17,709,537
Paul Norman	1,520,000	1,596,000	798,000	100,000	(4,109,000)	50,000	7,000	(38,000)	3,478,858	—	3,440,858
Ron Dissinger	1,378,000	1,378,000	689,000	100,000	1,027,000	50,000	7,000	4,629,000	3,212,534	—	7,841,534
Alistair Hirst	1,115,600	948,200	474,100	100,000	684,000	50,000	7,000	3,378,900	2,516,957	—	5,895,857
Gary Pilnick	1,346,400	1,211,800	605,900	100,000	(431,000)	50,000	7,000	2,890,100	2,595,597	—	5,485,697

(1) Represents two times the target annual incentives award for 2015.

(2) Represents the increase (decrease) to the estimated actuarial present value of retirement benefit accrued through January 2, 2016 for each NEO associated with terminating an NEO's employment without cause following a change in control. The estimated actuarial present value of retirement benefit accrued through January 2, 2016 appears in the Pension Benefits Table on page 52 of this proxy statement. For each NEO, changes to retirement benefits upon change in control vary depending on age, service and pension formula at the time of termination. For certain NEOs, the change to the retirement benefit is negative because, based on age, service and pension formula, the pension benefit upon change in control does not include early retirement benefits that are included in the value used on the Pension Benefits Table. For NEOs, change in control pension benefits are also increased because of the additional two years of service provided by change in control.

(3) Consists of Kellogg-paid death benefits, financial planning and physical exams.

(4) If an NEO becomes entitled to separation benefits following a change in control and such separation benefits would otherwise be subject to the excise tax under Section 4999 of the Internal Revenue Code, then the separation benefits will be reduced to $1.00 less than the amount which would trigger the excise tax if such reduction would result in the NEO receiving an equal or greater after-tax benefit than the NEO would have received if the full separation benefits were paid. This column represents the estimated amount of pay reduction to put the NEO in this position. The estimated values in this column were developed based on the provisions of Section 280G and 4999 of the Internal Revenue Code. The actual amount, if any, of the pay reduction will depend upon the NEO's pay, terms of a change in control transaction and the subsequent impact on the executive's employment.

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RELATED PERSON TRANSACTIONS

Policy For Evaluating Related Person Transactions. The Board has adopted a written policy relating to the Nominating and Governance Committee's review and approval of transactions with related persons that are required to be disclosed in proxy statements by SEC regulations, which are commonly referred to as "Related Person Transactions." A "related person" is defined under the applicable SEC regulation and includes our Directors, executive officers and 5% or more beneficial owners of our common stock. The Corporate Secretary administers procedures adopted by the Board with respect to related person transactions and the Nominating and Governance Committee reviews and approves all such transactions. At times, it may be advisable to initiate a transaction before the Nominating and Governance Committee has evaluated it or a transaction may begin before discovery of a related person's participation. In such instances, management consults with the Chair of the Nominating and Governance Committee to determine the appropriate course of action. Approval of a related person transaction requires the affirmative vote of the majority of disinterested Directors on the Nominating and Governance Committee. In approving any related person transaction, the Nominating and Governance Committee must determine that the transaction is fair and reasonable to Kellogg. The Nominating and Governance Committee periodically reports on its activities to the Board. The written policy relating to the Nominating and Governance Committee's review and approval of related person transactions is available on our website under the "Investor Relations" tab, at the "Corporate Governance" link.

Related Person Transactions. There were no related person transactions in 2015 that require reporting under the SEC disclosure rules.

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PROPOSAL 2 — ADVISORY RESOLUTION TO APPROVE EXECUTIVE COMPENSATION

Our Shareowners may vote, on an advisory (non-binding) basis, for a resolution to approve the compensation of our NEOs as disclosed in this proxy statement. At our 2011 Annual Meeting, a majority of Shareowners voted, consistent with the recommendation of Kellogg's Board of Directors, to hold a shareowner advisory vote on a resolution to approve the compensation of Kellogg's named executive officers annually, until the next required vote on the frequency of shareowner votes on the compensation of Kellogg's named executive officers as required pursuant to Section 14(A) of the Securities and Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. The Board of Directors believes that the annual advisory votes on a resolution to approve executive compensation allow our Shareowners to provide us with their direct input on our compensation philosophy, policies and practices as disclosed in the proxy statement every year, and is consistent with our policy of seeking input from, and engaging in discussions with, our Shareowners on corporate governance matters and our executive compensation philosophy, policies and practices.

This executive summary highlights core principles of our compensation program and the approach followed by the Compensation and Talent Management Committee.

Core Principles. We operate in a robust and challenging industry, where competitive compensation is important. We believe that our executive compensation program for our NEOs should be designed to (a) provide a competitive level of total compensation necessary to attract and retain talented and experienced executives; (b) appropriately motivate them to contribute to our short- and long-term success; and (c) help drive long-term total return for our Shareowners. Accordingly, the Core Principles that underpin our executive compensation program include Pay for Performance, Shareowner Alignment, Values-Based and Mitigating Risk. The following is a brief overview of each of these principles.

Pay for Performance. Our compensation program is designed to have a significant portion of an NEO's actual compensation linked to Kellogg's actual performance. We accomplish this by utilizing "performance-based" pay programs like our annual incentive, three-year executive performance and stock option plans, and by limiting perquisites.

Shareowner Alignment. We align the interest of our NEOs with Shareowners by encouraging our NEOs to have a meaningful personal financial stake in Kellogg. We gain this alignment by maintaining stock ownership guidelines, having a significant portion of an NEO's target compensation stock-based, and using compensation plan goals that are tied to key financial metrics of Kellogg. In addition, our C&T Committee reviews 'total shareowner return' as a key financial metric when reviewing performance to verify our pay for performance connection.

Values-Based. Our NEOs are evaluated on the behaviors they exhibit as they drive results. The compensation program links the "what" each NEO contributes as well as "how" an NEO makes those contributions.

Mitigating Risk. Our compensation program is designed to mitigate risks relating to our business. The program accomplishes this by balancing short-term and rolling three-year incentives, which uses various financial metrics to ensure the business grows in a balanced manner. In addition, we use clawback provisions to mitigate risk by creating appropriate remedies under certain circumstances.

Compensation Approach. The approach utilized by the C&T Committee is a key feature that ensures that actual compensation and plan design are consistent with the Core Principles. Our compensation approach is a multi-step process based on (a) independent decision-making, (b) utilizing compensation peer group data to appropriately target compensation levels, (c) targeting compensation at the 50th percentile of the compensation peer group, (d) following a consistent, rigorous target setting process, and (e) utilizing verification tools to ensure appropriate decisions are being made.

Overview. Recently, the C&T Committee took the following actions:

Performance / Payouts. Pay for performance is one of the core principles that underpin our executive compensation program. Our overall trends in 2015 represented a significant year-over-year improvement and momentum built as the year progressed. The Company's projections for performance in 2016 represent further improvement, building on the foundation created over the past two years. Specifically, the Company's performance exceeded each of the financial targets for the 2015 AIP (currency-neutral comparable operating profit, currency-neutral comparable net sales, and cash

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flow). The Company built momentum in our key businesses throughout the year, culminating with fourth quarter currency-neutral comparable net sales growth of 4.2% and currency-neutral comparable operating profit growth of 2.8%. Our U.S. cereal business saw significant improvement throughout the year and ended the year with fourth quarter consumption growth for the Kellogg brand of more than 2% and a category share gain of 70 basis points. In addition, the Company announced 2016 guidance in line with our long-term corporate targets. Awards for the 2015 AIP and 2013-2015 EPP are as follows:

- AIP Payouts (*Pay for Performance*). The payout factor for the 2015 AIP is 121% of target, which is the formulaic result from the targets established at the beginning of the year for currency-neutral comparable net sales, currency-neutral comparable operating profit and cash flow.
- 2013-2015 EPP Payouts (*Pay for Performance*). The Committee determined that a payout of 35% of the 2013-2015 EPP target would be made to our NEOs for the 2013-2015 performance. The Committee concluded that a payout of 35% of target was appropriate for the Company's performance for the three-year period after considering the financial performance against EPP targets, as well as a variety of additional factors, including the Company's total shareowner return, payouts of similar programs for our compensation peer group, and key Company activities during the performance period.

Program Updates. The Committee and Company engage with a variety of stakeholders to gain feedback on its compensation programs, including discussions with Shareowners. Based on that feedback, and the Committee's reviews with Cook & Co., the following program updates were made to the Company's executive compensation program in 2015:

- 2015-2017 EPP Metrics (*Shareowner Alignment*). The 2015-2017 EPP metrics are cumulative cash flow and relative total shareowner return. Previously, the EPP metrics had been currency-neutral comparable net sales and currency-neutral comparable operating profit.
- Long-term Incentives Mix (*Pay for Performance*). The long-term incentives mix for NEOs in 2015 was approximately 50% EPP and approximately 50% options. Previously, the long-term incentives mix had been approximately 30% EPP and approximately 70% options.
- Compensation Peer Group (*Compensation Approach*). The compensation peer group was changed for 2016 compensation decisions to include Kraft Heinz Company, The J.M. Smucker Co. and Keurig Green Mountain. Previously, the compensation peer group had included Kraft Foods Group and H.J. Heinz Co. as separate entities. J.M Smucker Co. and Keurig Green Mountain were added to maintain a well-balanced peer group across company sizes and operating segments.

For the reasons discussed above, we are asking our Shareowners to indicate their support for our NEO compensation as described in this proxy statement by voting "FOR" the following resolution. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the philosophy, policies and practices described in this proxy statement.

> "RESOLVED, that Kellogg Company's Shareowners approve, on an advisory basis, the compensation of the named executive officers, as disclosed in Kellogg Company's Proxy Statement for the 2016 Annual Meeting of Shareowners pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure."

This resolution is advisory, and therefore not binding on Kellogg, the Board or the C&T Committee. The Board and the Committee value the opinions of Kellogg's Shareowners and, to the extent there is any significant vote against the NEO compensation as disclosed in the proxy statement, we will consider such Shareowners' concerns and the Committee will evaluate whether any actions are necessary to address those concerns.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RESOLUTION APPROVING THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SEC.

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PROPOSAL 3 — RATIFICATION OF PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP has been appointed by the Audit Committee, which is composed entirely of independent Directors, to be the independent registered public accounting firm for us for fiscal year 2016. PricewaterhouseCoopers LLP was our independent registered public accounting firm for fiscal year 2015. A representative of PricewaterhouseCoopers LLP is expected to be present at the annual meeting and to have an opportunity to make a statement if they desire to do so. The PricewaterhouseCoopers LLP representative is also expected to be available to respond to appropriate questions at the meeting.

If the Shareowners fail to ratify the appointment of PricewaterhouseCoopers LLP, the Audit Committee would reconsider its appointment.

THE BOARD RECOMMENDS A VOTE "FOR" RATIFICATION OF APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS KELLOGG'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

Fees Paid to Independent Registered Public Accounting Firm.

Audit Fees. The aggregate amount of fees billed to Kellogg by PricewaterhouseCoopers LLP for professional services rendered for the audit of our consolidated financial statements, statutory audits and for reviews of our financial statements included in our Quarterly Reports on Form 10-Q was approximately $7.5 million in 2015 and $7.3 million in 2014.

Audit-Related Fees. The aggregate amount of fees billed to Kellogg by PricewaterhouseCoopers LLP for assistance and related services reasonably related to the performance of the audit of our consolidated financial statements and for reviews of our financial statements included in our Quarterly Reports on Form 10-Q, which were not included in "Audit Fees" above was approximately $0.8 million in 2015 and $0.7 million in 2014. This assistance and related services generally consisted of consultation on the accounting or disclosure treatment of transactions or events and employee benefit plan audits.

Tax Fees. The aggregate amount of fees billed to Kellogg by PricewaterhouseCoopers LLP for professional services rendered for tax compliance, tax advice, and tax planning was approximately $1.3 million in 2015 and $2.2 million in 2014. These tax compliance, tax advice and tax planning services generally consisted of U.S., federal, state, local and international tax planning, compliance and advice, with approximately $0.5 million being for tax compliance in 2015 and approximately $1.0 million being spent for tax compliance in 2014.

All Other Fees. The aggregate amount of all other fees billed to Kellogg by PricewaterhouseCoopers LLP for services rendered, and which were not included in "Audit Fees," "Audit-Related Fees," or "Tax Fees" above, was $0 in both 2015 and 2014.

Preapproval Policies and Procedures.

The Charter of the Audit Committee and policies and procedures adopted by the Audit Committee provide that the Audit Committee shall pre-approve all audit, internal control-related and all permitted non-audit engagements and services (including the fees and terms thereof) by the independent registered public accounting firm (and their affiliates) and shall disclose such services in our SEC filings to the extent required. Under the policies and procedures adopted by the Audit Committee, the Audit Committee pre-approves detailed and specifically described categories of services which are expected to be conducted over the subsequent twelve months or a longer specified period, except for the services and engagements which the Chairman has been authorized to pre-approve or approve. The Chairman of the Audit Committee has been delegated the authority to pre-approve or approve up to $500,000 of such engagements and services, but shall report such approvals at the next full Audit Committee meeting. Such policies and procedures do not include delegation of the Audit Committee's responsibilities to Kellogg management.

All of the services described above for 2015 and 2014 were pre-approved by the Audit Committee and/or the Committee Chairman before PricewaterhouseCoopers LLP was engaged to render the services.

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Audit Committee Report.

The Audit Committee oversees our financial reporting process on behalf of the Board. The Committee is composed of seven independent directors (as defined by the New York Stock Exchange Listing Standards), met five times in 2015 and operates under a written charter last amended by the Board in February 2015, which is posted on our website at http://investor.kelloggs.com/governance.cfm. As provided in the Charter, the Committee's oversight responsibilities include monitoring the integrity of our financial statements (including reviewing financial information, the systems of internal controls, the audit process, the Enterprise Risk Management process, and the independence and performance of our internal audit function and independent registered public accounting firm) and our compliance with legal and regulatory requirements. However, management has the primary responsibility for the financial statements and the reporting process, including our systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed and discussed the audited financial statements to be included in the 2015 Annual Report on Form 10-K with management, including a discussion of the quality and the acceptability of our financial reporting and controls.

The Committee reviewed with the independent registered public accounting firm, PricewaterhouseCoopers LLP, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality and acceptability of our financial reporting, internal control and such other matters as are required to be discussed with the Committee under generally accepted auditing standards. In addition, the Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Public Company Accounting Oversight Board Auditing Standard No. 16 — *Communications with Audit Committees.*

The Committee has discussed with the independent registered public accounting firm their independence from Kellogg and its management, including matters in the written disclosures and the letter from the independent registered public accounting firm required by Public Company Accounting Oversight Board Rule 3526, "*Communication with Audit Committees Concerning Independence*." The Committee also has considered whether the provision by the independent registered public accounting firm of non-audit professional services is compatible with maintaining their independence.

The Committee also discussed with our internal auditors and independent registered public accounting firm the overall scope and plans for their respective audits. The Committee meets periodically with the internal auditors and independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of our internal controls, and the overall quality of our financial reporting. The Committee also meets privately with the independent registered public accounting firm, Chief Legal Officer, Corporate Controller and Vice President of Internal Audit at each in-person meeting.

In reliance on the reviews and the discussions referred to above, the Committee recommended to the Board that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended January 2, 2016, for filing with the SEC. The Committee also reappointed our independent registered public accounting firm for our 2016 fiscal year.

AUDIT COMMITTEE

Rogelio Rebolledo, Chair
Stephanie Burns
John Dillon
Zachary Gund
Don Knauss
Mary Laschinger
Noel Wallace

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PROPOSAL 4 — SHAREOWNER PROPOSAL TO RECOGNIZE KELLOGG'S EFFORTS REGARDING ANIMAL WELFARE

We expect the following proposal (Proposal 4 on the proxy card and voting instruction card) to be presented by a Shareowner at the annual meeting. Names, addresses and share holdings of the Shareowner proponent and, where applicable, of co-filers, will be supplied promptly upon oral or written request.

***Resolution Proposed by Shareowner*:**

RESOLVED, that shareholders applaud Kellogg- via this complimentary resolution- for its decision improve animal welfare in its supply system by switching to cage-free eggs.

Shareowner's Supporting Statement:

In 2015, Kellogg announced, with support from The Humane Society of the United States, that it will improve animal welfare in its supply chain by switching to 100% cage-free eggs.

The decision to switch to cage-free eggs is indeed good for both corporate responsibility and Kellogg's bottom line, as more consumers than ever care about issues like animal welfare.

By voting **FOR** this simple advisory proposal, shareholders can applaud the company for making this switch.

Our Response to Proposal:

The Board recommends that Shareowners vote "FOR" the Shareowner proposal to applaud Kellogg regarding animal welfare (Proposal 4).

Kellogg is committed to the humane treatment of animals in our supply chain. As the proposal does not request any specific action by Kellogg, approval of the resolution will not be deemed to recommend that Kellogg take, or refrain from taking, any specific action.

FOR THESE REASONS, THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE PROPOSAL.

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PROPOSAL 5 — SHAREOWNER PROPOSAL TO ADOPT SIMPLE MAJORITY VOTE

We expect the following proposal (Proposal 5 on the proxy card and voting instruction card) to be presented by a Shareowner at the annual meeting. Names, addresses and share holdings of the Shareowner proponent and, where applicable, of co-filers, will be supplied promptly upon oral or written request.

***Resolution Proposed by Shareowner*:**

Proposal 5 - Simple Majority Vote

RESOLVED, Shareholders request that our board take the steps necessary so that each voting requirement in our charter and bylaws that calls for a greater than simple majority vote be eliminated, and replaced by a requirement for a majority of the votes cast for and against applicable proposals, or a simple majority in compliance with applicable laws. If necessary this means the closest standard to a majority of the votes cast for and against such proposals consistent with applicable laws.

Shareowners are willing to pay a premium for shares of companies that have excellent corporate governance. Supermajority voting requirements, the target of this proposal, have been found to be one of 6 entrenching mechanisms that are negatively related to company performance according to "What Matters in Corporate Governance" by Lucien Bebchuk, Alma Cohen and Allen Ferrell of the Harvard Law School. Supermajority requirements are used to block initiatives supported by most shareowners but opposed by a status quo management.

This proposal topic won from 74% to 88% support at Weyerhaeuser, Alcoa, Waste Management, Goldman Sachs, FirstEnergy, McGraw-Hill and Macy's. The proponents of these proposals included Ray T. Chevedden and William Steiner.

This proposal topic won greater than majority support from independent Kellogg shareholders at 4 of our annual meetings since 2011. If the W.K. Kellogg Foundation sold a certain amount of its stock this proposal would receive a majority of all voting shares.

Currently a 1%-minority can frustrate the will of our 66%-shareholder majority. In other words a 1%-minority could have the power to prevent shareholders from improving our corporate charter and bylaws.

Please vote to enhance shareholder value:

Simple Majority Vote - Proposal 5

***Our Response — Statement in Opposition to Proposal*:**

The Board has carefully considered the above proposal, and believes that it is not in the best interest of the Shareowners. Consequently, the Board recommends that the Shareowners vote against the proposal for the following reasons:

Voting Requirements. The Board believes that the supermajority voting standards under Kellogg’s Amended Restated Certificate of Incorporation and Bylaws (collectively, governance documents) are appropriate and necessary. Under Kellogg’s existing governance documents, a simple majority vote requirement already applies to most matters submitted for Shareowner approval. Our governance documents require the affirmative vote of not less than two-thirds of the outstanding shares entitled to vote for a few, but important, matters of corporate structure and governance, which are as follows: (i) an alteration, amendment or repeal, or any new provision, inconsistent with certain provisions of the existing governance documents; (ii) Kellogg’s merger or consolidation with or into another entity; (iii) the sale, lease, exchange or other disposition of all or substantially all of Kellogg’s assets; (iv) the liquidation or dissolution of Kellogg; or (v) the removal of directors for cause. The Board believes that in these limited circumstances the higher voting requirements are more representative of all Shareowners for a variety of reasons, the most relevant of which are described below.

Broad Consensus of All Shareowners. Delaware law permits supermajority voting requirements and a number of publicly-traded companies have adopted these provisions to preserve and maximize long-term value for all Shareowners.

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Because these provisions give holders of less than a majority of the outstanding shares the ability to defeat a proposed extraordinary transaction or fundamental change, they generally have the effect of giving minority shareowners a greater voice in corporate structure and governance. The Board strongly believes that extraordinary transactions and fundamental changes to corporate governance should have the support of a broad consensus of Kellogg's Shareowners rather than a simple majority. Our governing documents were intentionally created to include a supermajority vote standard that would apply to the areas described above because of their importance to Kellogg. The Board also believes that the supermajority vote requirements protect Shareowners, particularly minority shareowners, against the potentially self-interested actions of short-term investors. Without these provisions, it would be possible for a group of short-term Shareowners to approve an extraordinary transaction that is not in the best interest of Kellogg and opposed by nearly half of Kellogg's Shareowners.

Fiduciary Duty. The Board is subject to fiduciary duties under the law to act in a manner that it believes to be in the best interests of Kellogg and its Shareowners. Shareowners, on the other hand, do not have the same fiduciary duty as the Directors. As a result, a group of short-term Shareowners may act in their own self-interests to the detriment of other Shareowners. Accordingly, the supermajority voting standards are necessary to safeguard the long-term interests of Kellogg and its Shareowners.

Protection Against Certain Takeovers. The supermajority voting provisions further protect Kellogg's Shareowners by encouraging persons or firms making unsolicited takeover bids to negotiate directly with the Board. As noted above, the Board has a fiduciary duty under the law to act in a manner that it believes to be in the best interests of Kellogg and its Shareowners. In addition, more than 75% of Kellogg's Board members are 'independent' under the standards adopted by the New York Stock Exchange. Supermajority voting requirements encourage potential acquirers to deal directly with the Board, which in turn enhances the Board's ability to consider the long-term interests of all Shareowners. Kellogg believes that its independent Board is in the best position to evaluate proposed offers, to consider alternatives, and to protect Shareowners against abusive tactics during a takeover process, and as appropriate, to negotiate the best possible return for all Shareowners. Elimination of these supermajority provisions would make it more difficult for Kellogg's independent, Shareowner-elected Board to preserve and maximize value for all Shareowners in the event of an unsolicited takeover bid.

Corporate Governance Practices. Kellogg's Nominating and Governance Committee regularly considers and evaluates corporate governance developments and recommends appropriate changes to the Board. As discussed in this Proxy Statement, the Board operates under corporate governance principles and practices that are designed to maximize long-term Shareowner value, align the interests of the Board and management with those of our Shareowners, and promote high ethical conduct among our Directors and employees. Additionally, Kellogg's governance policies and practices fully comply with all corporate governance standards of the NYSE and SEC. The Board believes that implementation of this proposal would adversely impact Kellogg's carefully considered corporate governance practices and, therefore, is not needed or advisable, or in the best interests of Kellogg and its Shareowners.

Effect of Proposal. It is important to note that Shareowner approval of this proposal would not in itself remove the supermajority vote standards. Under the governance documents, to change the supermajority standards, the Board must first authorize amendments to Kellogg's governance documents. Shareowners would then have to approve each of those amendments with an affirmative vote of not less than two-thirds of the outstanding shares of Kellogg entitled to vote generally.

Board Recommendation. After careful consideration of this proposal, the Board has determined that retention of the supermajority voting requirements remains in the long-term best interests of Kellogg and its Shareowners. The Board believes that the substantial benefits of a supermajority voting requirement do not come at the expense of prudent corporate governance. To the contrary, the voting requirement is designed to protect the interests of all Shareowners.

FOR THESE REASONS, THE BOARD OF DIRECTORS RECOMMENDS A VOTE "AGAINST" THE PROPOSAL.

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MISCELLANEOUS

Shareowner Proposals or Director Nominees for the 2017 Annual Meeting. Shareowner proposals submitted for inclusion in our proxy statement for the 2017 Annual Meeting of Shareowners must be received by us no later than November 10, 2016. Other Shareowner proposals or Director nominations to be submitted from the floor must be received by us not earlier than November 10, 2016 and not later than December 10, 2016, and must meet certain other requirements specified in our bylaws.

Shareowner Nomination of Director Candidates for Inclusion in Proxy Statement for 2017 Annual Meeting. Shareowner nominations of director candidates for inclusion in our proxy materials for the 2017 Annual Meeting of Shareowners must be received by us not earlier than October 11, 2016 and not later than November 10, 2016. Any such nomination must meet the other requirements set forth in our bylaws.

Annual Report on Form 10-K; No Incorporation by Reference. Upon written request, we will provide any Shareowner, without charge, a copy of our Annual Report on Form 10-K for 2015 filed with the SEC, including the financial statements and schedules, but without exhibits. Direct requests to Kellogg Company Consumer Affairs, P.O. Box CAMB, Battle Creek, Michigan 49016 (phone: (800) 962-1413), the Investor Relations Department, Kellogg Company, P.O. Box 3599, Battle Creek, MI 49016-3599 (phone: (269) 961-2800), or investor.relations@kellogg.com. You may also obtain this document and certain other of our SEC filings through the Internet at www.sec.gov or under "Investor Relations" at www.kelloggcompany.com, the Kellogg website.

Notwithstanding any general language that may be to the contrary in any document filed with the SEC, the information in this proxy statement under the captions "Audit Committee Report," and "Compensation and Talent Management Committee Report" shall not be incorporated by reference into any document filed with the SEC.

By Order of the Board of Directors,

Gary Pilnick

Vice Chairman, Corporate Development and Chief Legal Officer

March 10, 2016

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KELLOGG COMPANY, BATTLE CREEK, MICHIGAN 49017-3534

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Kellogg's

POST OFFICE BOX 3599
ONE KELLOGG SQUARE
BATTLE CREEK, MI 49106-3599

VOTE BY INTERNET - www.proxyvote.com
Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS
If you would like to reduce the costs incurred by Company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903
Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Kellogg Company, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

SHAREHOLDER MEETING REGISTRATION:
To vote and/or attend the meeting, go to "shareholder meeting registration" link at www.proxyvote.com.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

E00717-Z67330-P75265

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

KELLOGG COMPANY	For All	Withhold All	For All Except	To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below.
The Board of Directors recommends a vote FOR each of the nominees for director in Proposal 1.	☐	☐	☐	____________

Vote on Directors

1. **Election of Directors (term expires 2019)**

   Nominees:

   01) Mary Laschinger
   02) Cynthia Hardin Milligan
   03) Carolyn Tastad
   04) Noel Wallace

The Board of Directors recommends a vote FOR Proposals 2, 3 and 4.	**For**	**Against**	**Abstain**
2. Advisory resolution to approve executive compensation.	☐	☐	☐
3. Ratification of the appointment of PricewaterhouseCoopers LLP as Kellogg's independent registered public accounting firm for fiscal year 2016.	☐	☐	☐
4. Shareowner proposal, if properly presented at the meeting, to recognize Kellogg's efforts regarding animal welfare.	☐	☐	☐
The Board of Directors recommends a vote AGAINST Proposal 5.			
5. Shareowner proposal, if properly presented at the meeting, to adopt simple majority vote.	☐	☐	☐

NOTE: The undersigned also authorizes the named proxies to vote in their discretion upon such other business as may properly come before the meeting or any adjournment or postponement thereof.

NOTE: Please sign exactly as name(s) appear(s) hereon. When signing as attorney, executor, administrator, trustee, or guardian, please give full name and title as such.

Signature [PLEASE SIGN WITHIN BOX]	Date	Signature (Joint Owners)	Date

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KELLOGG COMPANY

ADMISSION TICKET
(not transferable)

You are cordially invited to attend the 2016 Annual Meeting of Shareowners of Kellogg Company to be held on Friday, April 29, 2016 at 1:00 p.m. (Eastern Time) at the W. K. Kellogg Auditorium, 50 West Van Buren Street, Battle Creek, Michigan.

Please present this admission ticket in order to gain admittance to the meeting. This ticket admits only the shareowner(s) listed on the reverse side and is not transferable. If these shares are held in the name of a broker, trust, bank or other nominee, you should bring a proxy or letter from the broker, trustee, bank or nominee confirming the beneficial ownership of the shares.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2016 ANNUAL MEETING OF SHAREOWNERS TO BE HELD ON APRIL 29, 2016: The Notice of the Annual Meeting, the Proxy Statement, and the annual report, including Form 10-K, are available at http://investor.kelloggs.com.

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KELLOGG COMPANY

PROXY SOLICITED BY THE BOARD OF DIRECTORS
FOR ANNUAL MEETING OF SHAREOWNERS, APRIL 29, 2016

The undersigned appoints John Bryant and Gordon Gund, or each one of them as shall be in attendance at the meeting, as proxy or proxies, with full power of substitution, to represent the undersigned at the 2016 Annual Meeting of Shareowners of Kellogg Company to be held on April 29, 2016 and at any postponement or adjournment of the meeting, and to vote on behalf of the undersigned as specified on this Proxy the number of shares of common stock of Kellogg Company as the undersigned would be entitled to vote if personally present, upon the matters referred to on the reverse side hereof, and, in their discretion, upon any other business as may properly come before the meeting.

The undersigned acknowledges receipt of the Notice of the 2016 Annual Meeting of Shareowners and of the accompanying proxy statement and revokes any proxy heretofore given with respect to such meeting. The votes entitled to be cast by the undersigned will be cast as instructed. If this Proxy is executed, but no instruction is given, the votes entitled to be cast by the undersigned will be cast “FOR” each of the nominees for director in proposal 1, “FOR” proposals 2, 3 and 4 and “AGAINST” proposal 5, each of which is set forth on the reverse side hereof. The votes entitled to be cast by the undersigned will be cast in the discretion of the Proxy holder on any other matter that may properly come before the meeting and any adjournment or postponement thereof.

IMPORTANT - This Proxy is continued and must be signed and dated on the reverse side.

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EXHIBIT VI
TAX AND SOCIAL SECURITY CONSEQUENCES OF PARTICIPATION IN THE PLANS

1. Belgium

The following is intended to briefly summarize certain tax consequences associated with the participation in the Belgian Plan.

This discussion reflects the tax and other laws as in effect in Belgium on March 16, 2016. Such laws are often complex and change frequently. As a result, the information contained in this description may be out of date at the time the employee is granted an award, acquires Shares or sells Shares acquired under the Belgian Plan.

In addition, this description does not discuss all of the various laws, rules and regulations that may apply. It may not apply to the employee's particular tax or financial situation and the Company is not in a position to assure the employee of any particular tax result. **Accordingly, the employee is strongly advised to seek appropriate professional advice as to how the tax or other laws in his/her country apply to his/her specific situation.**

If the employee is a citizen or resident of a country other than Belgium, the information contained in this description may not be applicable to the employee.

Any examples contained within this description are for illustrative purposes only.

Enrollment in the Belgian Plan

The employee is not subject to tax when a stock purchase right is granted to him/her under the Belgian Plan (*i.e.*, when the employee subscribes to the Belgian Plan).

Contributions

The monthly contributions an employee makes in the Belgian Plan should not have any income tax or social security contributions consequences. As the employee's contributions under the Belgian Plan are made from the net salary, i.e. the employee's salary after deduction of withholding taxes and social security contributions, the contributions in the Belgian Plan do not lower his/her income for purposes of calculating (i) his/her social security contributions and (ii) the withholding taxes his/her employer has to withhold, nor the income taxes the employee will be subject to.

Grant of Restricted Shares

Upon the grant of Restricted Shares an employee is deemed to receive three Restricted Shares for the price of two Restricted Shares. Therefore, an employee will be deemed to have received a benefit in kind that is subject to income taxes at the normal progressive income tax rates and to social security contributions.

This benefit in kind is determined by deducting from the total market value of the Restricted Shares granted to the employee under the Belgian Plan the contributions made by the employee to receive those Restricted Shares. Due to a specific tax rule regarding the determination of the fair market value of shares subject to a lock-up of two years, which has been provided for in a Circular from the Belgian tax authorities, the fair market value of the Restricted Shares is, for purposes of the abovementioned determination of the benefit in kind, however deemed to be only 83.33% of the actual fair market value on the date of acquisition.

Example

- Purchase price of one Restricted Share is US$ 52 or EUR 47.25 (at an exchange rate of US$ 1 : EUR 0.91)

- Total contributions of US$ 520 or EUR 472.50

- The employee received 15 Restricted Shares, with a total value of US$ 780 or EUR 708.80, as US$ 520 / US$ 52 is equal to 10, and he/she receives three Restricted Shares for each two Restricted Shares that can be purchased with his/her contributions.

As the Restricted Shares are subject to a two year lock-up, the total fair market value is, for Belgian income tax purposes, deemed to be equal to US$ 780 x 83.33%, or US$ 649.97 or EUR 590.64. This means that, for Belgian income tax purposes, an employee is deemed to have received Shares for a total value of US$ 649.97 or EUR 590.64 for which he/she only paid US$ 520 or EUR 472.50; therefore the employee is deemed to receive a benefit in kind of US$ 129.97 or EUR 118.14, that will be subject to personal income taxes at the progressive tax rates and that, under the current circumstances, will also be subject to social security contributions.

Sale of Shares

When the employee sells the Shares purchased under the Belgian Plan once the two year lock-up has lapsed, he/she should not be subject to income taxes or social security contributions.

Dividends

Where Shares are acquired under the Belgian Plan, dividends may be paid with respect to these Shares if the Company, in its discretion, declares a dividend. The dividends received will be subject to income tax in Belgium (at a rate of 27%) and to U.S. federal income withholding tax (at a rate of 30%). The employee may be entitled to reduce the U.S. federal income withholding tax rate (to 15%) provided that the appropriate certifications concerning domicile in Belgium are provided as required by the United States Internal Revenue Service (i.e., Substitute Form W-8/BEN Certificate of Foreign Status and Instructions available from the brokerage firm(s) retained by the Company). The Belgian income tax is due on the net dividend amount, i.e. the amount after deduction of the U.S. federal withholding tax.

An employee is not obliged to report the dividend income in his/her annual income tax return if the Belgian withholding tax has been levied. If no Belgian withholding tax was levied, an employee is obliged to report the dividends received in his/her annual income tax return.

If the dividends paid out on Shares an employee holds under the Belgian Plan are used to acquire additional Shares, this does not change the application of the above rules, which means that an employee will have to report the dividend amount used to acquire additional Shares in his/her annual income tax return.

Withholding and Reporting

As the employee's local Belgian employer reimburses Kellogg Company for the costs relating to the Belgian Plan or is otherwise involved in the administration of the Belgian Plan, his/her local Belgian employer will report the benefit in kind on the employee's fiscal vouchers and will withhold income withholding tax and social security contributions (of 13.07% of the benefit in kind) from the employee's monthly salary.

Irrespective of the obligation to withhold income withholding tax and the obligation to report the benefit in kind on the employee's fiscal vouchers, an employee is always obliged to report the benefit in kind in his/her annual personal income tax return.

An employee is always obliged to report the foreign account he/she holds for purposes of participation in the Belgian Plan in his/her annual personal income tax return. Furthermore, the employee will also have to provide a central contact point at the National Bank of Belgium with the account number of such foreign bank accounts in a separate report (the form for, and modalities of, this reporting obligation are available on www.nbb.be).

2. Ireland

The following is intended to briefly summarize certain tax consequences associated with the participation in the Irish Plan.

This discussion reflects the tax and other laws as in effect in Ireland on March 18, 2016. Such laws are often complex and change frequently. As a result, the information contained in this description may be out of date at the time the employee is granted an award, acquires Shares or sells Shares acquired under the Irish Plan.

In addition, this description does not discuss all of the various laws, rules and regulations that may apply. It may not apply to the employee's particular tax or financial situation and the Company is not in a position to assure the employee of any particular tax result. **Accordingly, the employee is strongly advised to seek appropriate professional advice as to how the tax or other laws in his/her country apply to his/her specific situation.**

If the employee is a citizen or resident of a country other than Ireland, the information contained in this description may not be applicable to the employee.

Any examples contained within this description are for illustrative purposes only.

Appropriation of Shares in the Irish Plan

Employee contributions for the purchase of Shares are made from net (after-tax) earnings so no further tax charges apply to Shares appropriated to a participant using his/her contributions.

The employee is not subject to income tax on the value of the free matching award when Shares are appropriated to him/her under the Irish Plan. However, the universal social charge (USC) and employee pay related social insurance (PRSI) does apply to the value of any matching award, at the time it is made.

Disposal of Shares

Income tax

When the employee transfers or sells the Shares acquired via the Irish Plan more than 3 years after the date on which it was allocated, no income tax arises with respect to the matching award.

If he/she sells any Shares before the 3rd anniversary of appropriation, an income tax claw-back will apply – note that Shares are deemed to be sold on a "first-in, first-out" basis for tax purposes, and any sales will be divided pro-rata between purchased and free matching Shares i.e. if a participant sells 10 Shares, this will be made up of 5 purchased and 5 matching Shares, and the income tax claw back is on the matching award, as follows:

- If the employee disposes of matching Shares prior to the third anniversary of the date of appropriation he/she will be subject to a claw back of income tax on 100% of the lesser of i) the value of the matching award of Shares at the date it was first allocated or ii) the proceeds of sale.

- If an employee ceases employment due to injury, disability, redundancy or retirement all Shares can be disposed of immediately but there is a claw back of income tax on 50% of the lesser of i) the value of the matching award of Shares at the date was first allocated or ii) the proceeds of sale. The Shares do not have to be disposed of in these circumstances and can be left in trust for the full 3 year holding period to avail of full income tax relief.

- In the event of the death of a participant no income tax claw back applies.

Capital gains tax

Regardless of the income tax position on a disposal, a capital gain may also be realised on disposal and capital gains tax may be payable. It is the employee's responsibility to report the disposal and any related gain/loss and pay any capital gains tax due, in accordance with self-assessment rules.

Dividends

Where Shares are acquired under the Irish Plan, dividends may be paid with respect to such Shares. The dividends received will be subject to Irish encashment tax at the standard rate of income tax in Ireland (currently 20%) and to U.S. federal income withholding tax (at a rate of 30%). The employee may be entitled to reduce the U.S. federal income withholding tax rate (to 15%) provided that the appropriate certifications concerning domicile in Ireland are provided as required by the United States Internal Revenue Service (i.e. on Form W-8 BEN).

Depending on his/her rate of tax and personal circumstances the employee may have to pay some additional income tax, Universal Social Charge and PRSI. He/she may be entitled to receive a tax credit in respect of the US withholding tax deducted. The employee should include details of the dividends on a tax return. It is a matter for the employee to account for any taxes payable on dividends received and make related tax returns.

Withholding and Reporting

The local Irish employer will deduct the USC and PRSI due on matching awards of Shares allocated to a participant, via payroll.

The trustee is obliged to file an annual reporting form in respect of the Irish Plan with the Irish Revenue Commissioners, setting out details of all allocations of Shares and other activities/transactions e.g. early sales, dividend payments.

Where Shares are disposed of prior to the 3rd anniversary and an income tax claw back applies:

- If the Shares are transferred (rather than sold) out of the trust, the employee must prior to such transfer pay to the trustee a sum equal to income tax at the standard rate (currently 20%) on 100%/50% (as applicable – see above) of the value of the matching award of Shares at the date it was first allocated. The trustee must remit this amount to the Irish Revenue Commissioners

- If the Shares are sold it is the responsibility of the employee to report and pay the additional income tax payable in accordance with self-assessment rules.

The employee is also responsible for reporting any disposals of Shares and for paying any related capital gains tax arising, in accordance with the relevant self-assessment and capital gains tax payment rules.

3. UK

The following is intended to briefly summarize certain tax consequences associated with the acquisition of Shares under the UK Plan, as well as the sale of Shares obtained under the UK Plan, by employees who are resident and ordinarily resident in the United Kingdom.

This discussion reflects the tax and other law as in effect on March 16, 2016. Such laws are often complex and change frequently. As a result, the information contained in this description may be out of date at the time the employee is granted an award, acquires Shares, receives dividends or sells Shares acquired under the UK Plan.

In addition, this description does not discuss all of the various laws, rules and regulations that may apply.

It may not apply to the employee's particular tax or financial situation and the Company is not in a position to assure the employee of any particular tax result.

Accordingly, the employee is strongly advised to seek appropriate professional advice as to how the tax or other laws in his/her country apply to his/her specific situation.

If the employee was not resident and ordinarily resident in the United Kingdom at the time the rights under the UK Plan were granted or subsequently, or the employee is a citizen or resident of a country other than the United Kingdom, or the employee is subject to the remittance basis of taxation, the information contained in this description may not be applicable to the employee.

On acquisition of shares

The acquisition of Shares, whether as Free Shares, Purchased Shares, Matching Shares or Dividend Shares is not subject to income tax or NICs at the time of acquisition.

Withdrawal of Free and Matching Shares from the UK Plan

Income tax and NIC's may be due on the withdrawal of Free and Matching Shares from the UK Plan, depending on how long they have been held and the reason for leaving.

If Shares are withdrawn because the employee leaves employment by reason of injury, disability, redundancy, retirement, death, a TUPE transfer, or the employee's employer ceasing to be an associated company, there is no income tax or NIC's due.

If Shares are withdrawn for any other reason:

- If the Shares are withdrawn within three years of their award, income tax and NIC's are due on the market value of the Shares at the date they are withdrawn from the UK Plan.
- If the Shares are withdrawn between the third and fifth anniversaries of the date of award, income tax and NIC's are payable on the lower of the market value of the Shares at the date of the award and their value at the date they are withdrawn from the UK Plan.
- If the Shares are withdrawn more than five years after the date of the award, no income tax or NIC's are due.

Withdrawal of Purchased Shares from the UK Plan

Income tax and NIC's may be due on the withdrawal of purchased shares from the UK Plan, depending on how long they have been held and the reason for leaving.

If Shares are withdrawn because the employee leaves employment by reason of injury, disability, redundancy, retirement, death, a TUPE transfer or the employee's employer ceasing to be an associated company, there is no income tax or NIC's due.

If Shares are withdrawn for any other reason:

- If the Shares are withdrawn within three years of their acquisition, income tax and NIC's are due on the market value of the Shares at the date they are withdrawn from the UK Plan.

- If the Shares are withdrawn between the third and fifth anniversaries of the date of award, income tax and NIC's are payable on the lower of the amount of purchased share money used to acquire the Shares and their market value at the date they are withdrawn from the UK Plan.

- If the Shares are withdrawn more than five years after the date of the award, no income tax or NIC's are due.

Withdrawal of Dividend Shares from the UK Plan

If Dividend Shares are taken out of the UK Plan within three years of the date of their acquisition, the dividend originally used to buy them is subject to income tax but not NIC's. This is payable at the rate applicable to dividends through self-assessment.

On disposal of UK Plan shares

Any growth in value of UK Plan Shares is sheltered from Capital Gains Tax whilst the Shares remain held in the UK Plan Trust under the rules of the UK Plan. If Shares are sold directly from the UK Plan Trust, no Capital Gains Tax will arise. If Shares are withdrawn from the UK Plan Trust, and later sold, then Capital Gains Tax may be payable on any gain over their value when they came out of the UK Plan Trust.

Income Tax and NIC's

Income tax liabilities will be levied at the employee's marginal income tax rate of up to 45%, depending on the employee's total annual earnings.

In addition, employee NICs will be due at a rate of 12% to the extent the employee has not exceeded the upper earnings limit, which for the tax year 6 April 2015 to 5 April 2016 is £42,385 per annum or £815 per week (increased to £43,000 per annum or £827 per week with effect from 6 April 2016). To the extent the employee has exceeded the upper earnings limit, the employee will be subject to employee NICs at a rate of 2% on the spread.

Generally, the employer will withhold and account to HM Revenue and Customs ("HMRC") income tax and employee NICs by deductions from payments due to the employee, via the Pay-As-You-Earn ("PAYE") tax withholding system.

Alternatively, the Company may sell or arrange for the sale of the shares that the employee acquires under the UK Plan to cover these amounts.

Capital Gains Tax

Capital gains tax is payable on gains from all sources in excess of the annual personal exemption in any tax year. For the tax year 6 April 2015 to 5 April 2016, this personal exemption is £11,100 (and remains at £11,100 for the tax year 6 April 2016 to 5 April 2017).

A capital gains tax rate of 28% (reducing to 20% for the tax year 6 April 2016 to 5 April 2017) is payable on the amount of any gain (or any parts of gains) that exceeds the upper limit of the income tax basic rate band when aggregated with the employee's cumulative taxable income and other chargeable gains in any tax year. For the 2015/2016 tax year, the upper limit of the income tax basic rate band is £31,785 (increasing to £32,000 with effect from 6 April 2016). Below this limit, capital gains tax is payable at a rate of 18% (reducing to 10% for the tax year 6 April 2016 to 5 April 2017).

If the employee acquires other shares in the Company, the Participant will need to take into account the share identification rules in calculating the capital gains tax liability.

All shares of the same class in the Company will be treated as forming a single asset (a share pool), regardless of when they were originally acquired. The base cost of the shares in the share pool is calculated on the average base cost of all the shares in the share pool (rather than being calculated on the basis of selected shares within the share pool).

However, any shares in the Company that the employee acquires on the same day as he/she sells any of their existing shares in the Company, and then those shares which he/she acquires within the following 30 days, will be treated as being disposed of first in time, before the other shares in the share pool.

Disposals are therefore taken to be made in the following order:

- against acquisitions on the same day;
- against acquisitions within the 30 days following the disposal; and
- against shares in the share pool.

The employee is personally responsible for reporting any taxable income arising upon the sale or disposal of shares that he/she purchased under the UK Plan on the Participant's personal HMRC Self-Assessment Tax Return and for paying the applicable taxes directly to HMRC. The Company and/or the employee's employer have no responsibility in respect of the employee's capital gains tax liability.

Please note that the capital gains tax rules are complex and their impact will vary according to the employee's own circumstances. It is therefore recommended that the employee obtain his/her own independent tax advice prior to any acquisition, sale or disposal of shares by the employee.

Dividends

Dividends received directly by the employee in respect of any Shares will be subject to income tax in the United Kingdom (at the employee's marginal income tax rate) and to U.S. federal income tax

withholding at source (at a rate of 30%). With effect from 6 April 2016 individuals, will receive a dividend allowance which will exempt the first £5,000 of a taxpayer's dividend income.

No NICs are due on dividends.

The employee may be entitled to reduce U.S. federal income withholding tax rate (to 15%) provided that the appropriate certifications concerning domicile in the United Kingdom are provided, required by the United States Internal Revenue Service (*i.e.*, Substitute Form W-8/BEN Certificate of Foreign Status and Instructions, available from the brokerage firm(s) retained by the Company). The employee may be entitled to a U.K. tax credit for the U.S. taxes paid provided certain conditions are met.

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