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## PRESENTATION

**Simon Burton** *- Kellogg Company - VP IR*

All right. Hello, everybody; morning. Thanks, everyone, for coming; and thanks, everyone, who's on the webcast. Nice to have everybody here or tuning in.

For those of you who don't know me, I'm Simon Burton and I work in IR at Kellogg. First order of business is the forward-looking statements, so bear with me just a second.

The slides that support our remarks this morning in these presentations are posted on the website at www.KelloggCompany.com. As you're aware, certain statements made today such as projections for Kellogg Company's future performance, including earnings-per-share, net sales, margin, operating profit, interest expense, tax rate, cash flow, brand building, upfront costs, investments, and inflation are forward-looking statements. Actual results could be materially different from those projected. For further information concerning factors that could cause these results to differ, please refer to the second slide of this presentation as well as to our public SEC filings.

As a reminder, a replay of today's presentation will be available via webcast. And finally for me, there's an agenda here that's in everybody's books. I'm not going to go through it; you can have a look. The times, I think, are listed on there.

But you'll see there's a break midmorning, so you get a chance to go out and have a look at some of the booths, some of the setup that we've got across the hallway. And then there is a break sometime around -- right around noon for lunch. We can do the same thing after we've eaten.

We may change the schedule a little bit depending on timing, but this is roughly where we're going to go. So with that, I will turn it over to John Bryant.

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**John Bryant** - *Kellogg Company - Chairman, President, CEO*

Okay. Good morning, everyone. Thanks for coming. Thanks for spending the time with us here this morning. I hope you had an opportunity to go across the corridor and try the booths. If you haven't, I'm going to put a plug in for the Kickin' Crunch, which is the Special K Protein Flakes with yogurt, avocado, and cayenne pepper; so some very unusual cereal alternatives over there for your opportunity to enjoy today.

Again, thank you for spending the time with us this morning. This is an opportunity really for you to hear the business leaders of the Company talk about their businesses, and why we're so excited, and why we're so optimistic about the path that we're on in returning to our long-term targets in 2016 and beyond.

I want you to know I have a relatively short upfront section. We've created the agenda in a way that you'll hear more from the business unit presidents. We have Q&A: formal Q&A throughout the day as well as -- for you to catch people on the various breaks, etc.

As you think about the Kellogg Company, the Company has been transformed over the last 15 years or so. We have without doubt the strongest management team in the Kellogg Company, in my nearly 20 years at Kellogg.

We have unprecedented earnings visibility through the ZBB, Project K, and our normal underlying productivity programs. And we have a very clear, simple strategy for growth that we are already executing against. I'm going to focus this morning on that strategy for growth and where we're heading as a Company.

But first, in terms of the transformation, if you go back to the year 2000, we were about a $6 billion company, 70% in cereal and 20% in what we called portable foods -- granola bars, Nutri-Grain bars, etc. Today we have 45% in cereal, 45% in snacks. We're the world's largest cereal company, the world's second-largest savory snacks company, and the world's second-largest cookie/cracker company. And we've significantly increased the scope, size of our international platform as well over those years.

All those changes have happened here in relatively recent times. The Pringles acquisition tripled the size of our international snacks business; it doubled the size of our emerging market businesses in some key areas such as the Gulf. Our joint venture with Wilmar in China has been very successful; we've recently gained cereal category leadership in China.

We've made two acquisitions in the last several months in Egypt, acquiring the largest cookie/cracker company in Egypt and the largest cereal company. And we've made one of the largest investments of any food company in Africa, with the investment in Tolaram Foods in Nigeria; and Amit will talk more about that later in the Asia Pacific presentation.

So significant change in the Company: broad-based products, both breakfast and snacks; much, much stronger international platform as we go forward.

An incredible management team. These are the key area Presidents and business unit Presidents across the Company. Of these 12 individuals, half are new to the Company in the last four to five years, and half are legacy Kellogg executive. So you have a great blend of heritage institutional knowledge of Kellogg, as well as very different ways of operating coming in from very different companies.

That creates a [rights] of discussion, tension inside the organization to ensure that we are making the best decisions we can, challenging our historical assumptions, and making the Company stronger over time. You'll be able to hear from virtually all of these people here today.

It's good we have a strong management team, because at the same time the world around us is changing at an incredible pace. Millenials are changing the food industry in the US and in other developed markets. They're changing the definition of health and wellness from low-calorie, low-fat to more around transparency, simple labels, what's in my food. That's driving the largest renovation program in the Company's history over the next five years.

Those same Millennials are snacking more than any other prior generation, which is driving the snackification of the US diet. So you're seeing people want to have food available where and when they want to have it. That's changing the retail environment, as well as ecommerce changing the shopping experience as well; I'll talk more about that later in the presentation.

But probably the biggest change for us, being such a brand-intensive company, is the new science of marketing. As consumers consume media differently we have to build brands differently, and we are taking on that challenge and that opportunity.

But for everything that is changing, some things stay the same. Taste is king. There is nothing in the food industry that is growing today that doesn't taste good -- with the potential exception of kale, okay?

One thing that's absolutely clear, if you're in the food industry you have to make great-tasting food. And we have phenomenal foods within our portfolio.

But as an industry, the defining event in the industry in our generation is the emerging markets. We're seeing billions of people lift themselves out of poverty and look for the benefits of packaged foods.

And we are making the changes in our portfolio to absolutely position ourselves to take advantage of that long-term trend. You've seen that with the acquisitions in Egypt, the investment in Nigeria, etc.

Let me talk about how those changes are impacting two parts of our business in particular. One is brand building and the second is food.

We are absolutely committed to building strong brands at the Kellogg Company. We spend industry-leading levels on advertising; so we have about 8% of our sales in advertising, around twice the average of the food industry.

On top of that 8% we have another 2% in SG&A that is also brand building, consumer promotions, etc. So around 10% of sales in the brand building lines of the Company.

As consumers change how they consume media, it changes how we build brands. We've seen this before in our business: we've seen people go from print to radio, from radio to TV, and now from TV to social, mobile, digital. As a result, we are moving our brand-building investment so it's much more focused on digital, much more focused on on-the-go and bringing to life the brands in-store.

As we do all of this it's also challenging our historical models. So application of something like zero-based budgeting to the brand-building line challenges what we've been doing in the past. Takes the money from those programs that are not as effective as they used to be, and invests them back into programs that are driving our business in the future.

So as we think about brand building as a Company, we explain it at very high levels. We have sufficiency of brand building; we don't need to invest more in brand building.

We will continue to drive industry-leading levels of brand-building investment, and we'll continue to look to the future. Does our brand building need to go up a little bit? It could stay the same, or it could even come down a little bit as these changes in the model run through our business. So what we've spent in the past is no longer indicative of what we need to spend the future as we build brands in this industry, as the fundamental brand-building model changes.

The second area that we will invest more money in is our food. We're seeing a food revolution, particularly in markets like the US, where consumers are very engaged in their food. They want to have transparency: What is in my food?

So we have a program in the US called Open For Breakfast. You can go online, ask us any question about our foods, and we'll answer where it comes from, what we do to it, what's in the food, etc. Transparency is key in the new definition of health and wellness.

We also are renovating our food. We're undergoing the largest renovation program in the next five years in the Company's history, taking out items of concern for people -- where there might be artificial colors and flavors in Kellogg's cereals -- and putting in things that they want more of. So a major renovation program.

We're also, obviously, driving innovation hard. This is an area where we have invested in our capabilities over the last couple of years. We've invested in global category teams, which helps us share ideas around the world rapidly; so you're seeing the sharing in granolas, mueslis, packaging, etc., around the world at unprecedented speeds for us.

And we've invested in our Kashi team with a team back out in California. And David Denholm will present to you later today some of the great progress that we're making in that business.

So a focus on our food, on renovation, and on innovation, making a huge difference as we look to the future.

Let me turn to our strategy. Those of you who have seen as before, our vision and purpose hasn't changed. We have four key growth pillars.

Within breakfast, we have 45% of our sales there. Global snacking, another 45% of our sales.

Double our emerging market platform. We've been around for 109 years; in that time we've created a $2 billion emerging market business. Over the next several years, we want to double the size of that emerging market business. You're seeing us already make traction on that strategy with the acquisitions in Egypt and the investment in Nigeria.

And then: win where the shopper shops. Which -- you might say that's an enabler to the first three, but it's such a big opportunity for us we want to pull it out as a pillar on its own.

As a Company we have historically been focused on big-box grocery, so we've been a big grocery mass supplier and selling large packets of food in that format. But as you're seeing the increasing amount of snacking, particularly with 45% of our sales now in snacks, the opportunity to be in arm's reach of desire.

To have the right price, pack, product offering in individual channels around the world is a great growth opportunity for us. We underindex relative to our competitors there. We've been investing in that space, and we're seeing those investments pay back for us.

Let me start with win in breakfast. Clearly developed cereal has been a challenge for the Company over the last three or four years. We have four developed cereal markets: US, Canada, UK, and Australia.

Of those four markets, US and Canada have turned the corner, doing significantly better. We're taking the lessons learned from those programs, from those countries, investing back in the food -- these are Special K Red Berries; investing in our sales organizations; and leveraging those learnings over to the UK and Australia. And we expect to have much better performance in the UK and Australia as we go into 2016 and beyond.

Craig will do a presentation on U.S. Morning Foods. I think you'll see we're making tremendous progress in the cereal business here in the US.

Another big area of opportunity for us, particularly in the developed cereal markets: Kashi, Bear Naked, the organic, natural type segment. Clearly a disappointing performance by us over the last couple of years.

As David Denholm will show, real trends in that business are improving significantly, and we expect to return to growth in 2016 in this business as well. That's a big change from where we've been over the last couple of years. Gives you a sense of why we are confident that the momentum in our business is moving and why we have confidence in growth as we go into 2016.

Of course, as we talk about cereal in developed markets, that's only part of our cereal portfolio. Cereal in emerging markets, cereal in developing markets, strong growth category around the world.

What makes me really excited about cereal is consumption outside of breakfast. We're not only thinking about this simply as a breakfast item.

We are now seeing in the US over 30% of cereal consumed outside the breakfast occasion; several years ago it was just 20%. In fact, I saw a report earlier this week that put the number at 36% of cereal being consumed outside of breakfast.

Kids are eating it as an afterschool snack. Adults are eating it instead of a light dinner, or as a late evening snack. As you'll see across there you can eat with avocado, cayenne pepper, yogurt, etc.

It's incredibly versatile. Everybody eats their cereal in a different way. People add different fruits, soy milk, coconut milk, cow's milk, whatever it might be; a lot of different ways of consuming cereal, and we're very excited about how this is unlocking future growth for the Company, particularly in markets like the US.

On our last conference call I was asked what success looks like for the US cereal business. I said all we need is to have a stable cereal business -- which is true, but that's not our intention. Our intention is to grow our US cereal business, and I think you'll see that we are making progress in that direction.

2014, a very difficult year for US cereal. 2015, significantly better trends. In the last four weeks, better still; and, quite frankly, the four weeks published after this, even better than what's showing on this page.

So we're seeing the business return to growth. Feeling very good about the progress in our cereal business.

Let me turn to snacks, another 45% of our Company. Pringles has been a home-run acquisition for the Kellogg Company. Since the date of acquisition, we've been growing the business high single digits.

When we acquired the business we had two manufacturing facilities; now we have four. Every time we bring on a new line, it's maxed out almost immediately.

We continue to sell every can we can make. And even though we've made significant investments in the network, we have more investments coming, and we're still barely scratching the surface of the growth potential of this business.

To give you a sense of that, our market share in Europe is meaningfully higher than our market share in North America. Our market share within North America within grocery is higher than what it is in convenience. And our market shares in Asia Pacific and Latin America and some of those markets are lower still. So we have a significant opportunity through geographic expansion, through pack size opportunities, to keep driving this business.

Over the time we've acquired it, we've also significantly improved the economics of the business. We've taken the gross margins up by 400 or 500 basis points since the acquisition as well. So a tremendously successful business and still in the early days of what we can do with it.

Another big area for growth is wholesome snacks. Now this is an area where frankly we've not performed to the degree that we would like. Our food was not on trend with what consumers was looking for.

We been renovating our food. Where we have made those renovations consumers have responded. This is a business that is a growth business globally, and we think we can make it a $2 billion business in several years' time.

So absolutely a growth business globally and one that we are focusing on. This requires investment in the food. We're doing that, and we're seeing the results from those investments.

Then we have some great businesses like Cheez-It here in the US. Deanie will talk about this later. We've had 19 years of consecutive growth.

It's the largest brand in the cracker category. It sources its growth from the savory snacks business, so it leans into savory snacks.

Billion-dollar brand, an amazing growth engine, just continuing to drive growth every year, year in, year out. And still again significant opportunity to drive this business even harder and further in the future.

Double our emerging market business: a key strategic pillar for the Company. You'll hear from the area Presidents later this morning on this.

Maria Fernanda will talk about how we're going to accelerate our Latin American business. Chris will talk about doubling Arabia and growing our Russian business, which is also doing well this year, despite some of the challenges in that market. Amit will talk about Asia Pacific, where we have really transformed the region, a region that has historically been centered on Australia, to now one that is dominated by the growth markets in Asia. So very exciting.

The acquisition in Nigeria and Africa has transformed our opportunities in Africa and gives us a tremendous long-term growth opportunity. So exciting progress on the emerging markets strategy.

Let me talk about win where the shopper shops. This has been an area where we've made investments over the last couple of years.

In the US, we've invested back in our Morning Foods sales organization. We're seeing improving trends.

We've invested back in our DSD sales organization as well. Wendy Davidson will talk about the great growth opportunities we have in what we call Specialty Channels, which are all the channels outside the big grocery and mass channels here in the US.

What's really exciting about win where the shopper shops is actually back in those emerging markets again: the high-frequency stores, small mom-and-pops, about 30 million stores globally. Half the breakfast in the emerging markets is sold in those stores, about 70% of the snacks.

We underindex in these outlets around the world. A huge opportunity for us, and an area that we are investing in to ensure that we can grow in the future.

Then ecommerce is changing the retail reality. Today in the UK, we have some retailers who are selling as much as 15% of cereal through click-and-pick programs.

So consumers are not walking -- shoppers are not walking down the aisles to the same degree. They go online at night; they go on the computer; they put their order in; the next day they drive past the store, pick up their groceries, pay for it, and move on. Fundamentally changes the shopping experience.

The good news is, with such strong brands we have a higher market share in the ecommerce sales than in the traditional grocery sales. We have an incredible opportunity for us to share the learnings from markets like China, UK, etc., around the world so that we can be on the forefront of these changes in the retail environment.

As a Company, we're committed to driving top-line growth. Ron will talk about some of our productivity programs. We have unprecedented productivity programs: Project K, zero-based budgeting, and our underlying continuous improvement programs. All of this gives us unprecedented visibility into our earnings and confidence in meeting our long-term goals.

Through executing against our financial model, which is to grow the top line, comparable net sales about 1% to 3%, we have incredible operating leverage within our P&L. A small amount of sales growth creates an outsized amount of operating profit growth for a Company like this. That will generate 4% to 6% comparable operating profit growth.

With share buybacks it gets you to 7% to 9% EPS growth. Add to that a dividend, so that a dividend yields about 3%; gets you to about double-digit shareholder return, all else being equal. We see ourselves getting to this sort of model in 2016, 2017, 2018 and beyond.

So as a Company, the portfolio has changed. We have an incredibly strong leadership team. We have unprecedented earnings visibility.

We have a very simple, clear strategy that we are already executing against. And as a team we are absolutely committed to driving profitable growth going forward.

With that I'll hand it over to Ron to take you through some of the financials.

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**Ron Dissinger** - *Kellogg Company - SVP, CFO*

Thanks, John, and good morning, everyone. I'm going to discuss a few things with you this morning.

First, I want to reaffirm our 2015 guidance. Next I'll talk about our long-term targets and our growth goals for our regions across the globe. I'll reaffirm our 2016 guidance as well and discuss our Fuel for Growth programs that John was talking about. And I'll end on cash flow and uses of cash.

First on 2015, our guidance remains exactly as communicated on our third-quarter earnings call. Comparable net sales is expected to be relatively flat. Comparable operating profit down 2% to down 4%, And currency-neutral comparable earnings per share flat to down 2%.

And remember, those growth objectives on operating profit and earnings per share include resetting our incentive compensation back to target. It's about a 3- to 4-point headwind. So our underlying performance on operating profit and earnings per share is 3 to 4 points better.

On cash flow, we actually increased our guidance on the third-quarter call from $1 billion to $1.1 billion, based on the potential we have in our supplier financing program and our underlying cash flow performance overall. So we feel comfortable with our guidance and confident in achieving that as we close off this year.

Now, we have great visibility to achieve our revenue growth goals and our operating profit goals over the course of 2016 -- and frankly, beyond 2016 as well. John showed you our strategy and the focus areas within our strategy and talked about some of the opportunities we have for growth. You'll see how those come to life when our business leaders from around the globe talk to you about their plans for 2016 and beyond.

We also have very strong base productivity programs and structural cost improvement programs as well -- productivity from the base business, our zero-based budgeting initiative, and then as well Project K. I'll discuss those a little bit later. That should allow us to generate strong underlying cash flow as well, in line with earnings growth.

Now, here is our long-term guidance. John already communicated this, so I won't go into detail. Take our earnings-per-share, add on the approximate 3% dividend yield, and we expect over the long-term low-double-digit returns to our shareowners.

Now, here are our growth goals by region. In North America and in Europe, we expect low-single-digit growth in these big developed regions. But we have opportunity to expand our operating margins significantly in these regions. Our base productivity, our zero-based budgeting initiative, and Project K all contribute to this operating margin expansion as well as the revenue growth.

In Latin America, this is a region we want to invest in. We expect mid- to high-single-digit revenue growth. We're comfortable with our operating margins at this point in time and expect to hold them over time.

In Asia Pacific we expect mid- to high-single-digit revenue growth as well. This, too, is a region that we intend to invest in for growth. Now, as we build scale in this region, we do expect to increase our operating margins over time.

Put all of the sales growth goals together and that gives us a strong foundation and confidence to achieve long-term, low-single-digit revenue growth. And from an operating margin standpoint, we expect over the long-term to get in the 17% to 18% range, based on the revenue growth as well as those productivity programs that I mentioned.

Now, this is our guidance for 2016. We've communicated comparable net sales in the 1% to 3% range, operating profit in the 4% to 6% range. On currency-neutral comparable earnings per share we do overlap our long-term targets. In 2015 we recognized some significant benefits from some tax planning initiatives that we executed, so we have a little bit of headwind from a tax standpoint.

In addition, our debt levels are a little bit higher. We made some investments in Africa, and we decided to continue to repurchase shares over the course of this year.

Compounding that is we do expect slightly higher interest rates that may impact our floating debt as we proceed through 2016. So we're comfortable with and confident in delivering against these financial objectives in 2016.

Now, on the third-quarter conference call I commented on gross margin guidance and said that going forward we may not provide the detailed gross margin guidance that we have typically provided. First, on this chart, you see that we have very strong gross margins compared to the peer group.

Guys, gross margin remains a critical element of our business and our financial model. It provides us with the investment funds to put behind our brands and grow our revenue. And we expect to retain that discipline as we go forward.

But what I did say was with zero-based budgeting. Remember, we've initiated this in North America. We've gone through much of the detailed planning; we've identified, as we've communicated, approximately $100 million worth of savings.

We haven't pushed that through the details of our budget at this point in time. When we do, it will give us a better indication of our gross margin performance. Having said that, we do expect our margins to be flat to up slightly, excluding highly inflationary economies like Venezuela as we look at 2016.

And I would expect our zero-based budgeting initiative to help contribute to that or improve upon that position. Of course as we go through 2016 we will provide you the visibility to our gross margin performance, so you'll be able to see exactly how we are tracking.

Now, let me talk a little bit about our Fuel for Growth programs. This is 2016. We expect $450 million to $500 million worth of productivity savings in 2015. The base productivity -- the 3% to 4% that we consistently have generated in cost of goods sold, so it's about $250 million to $300 million -- will help us to offset inflationary trends within our business.

On top of that, we have savings from Project K, and we're reinvesting a portion of that back into food, as John communicated. On top of that, we have approximately $100 million worth of zero-based budgeting savings.

As you know, Project K will continue to unfold through 2018, so we have additional savings coming in future years. Also, we are just now rolling out zero-based budgeting, starting in North America; that gives us good visibility not just to 2016 but beyond that, and gives us the confidence to be on our long-term targets past 2016 as well.

The other thing that we have said is that we do expect savings to exceed the reinvestments back into the business to generate revenue growth. So very strong productivity programs.

This shows you our Project K initiative and the trends on incremental savings over the course of the years. Let me remind you, Project K has a number of key elements to it.

First, we're creating the supply chain that will serve our business for the next five to 10 years. We're rationalizing capacity in some of our developed markets. We're investing in capacity in regions where we're seeing faster growth and in Pringles, where we're seeing phenomenal growth in that business.

We're implementing global business services as well. This is taking our back-office transaction processing end-to-end. We've opened up regional centers around the globe, and we've opened up a global center in India as well.

This initiative will not only provide us with efficiency opportunities but we believe also good effectiveness opportunities, as we get better and routine visibility to some of the key metrics operating our business. So we think there are good savings opportunities through global business service.

We've also built the category teams, and John talked about them briefly as well. These are the teams that are working with our regions on long-term strategy, long-term innovation pipeline as well, and as he said helping to cascade good ideas quickly around the globe.

Now as you look at the numbers on the chart here you see $100 million of savings in 2016, and then $140 million to $200 million of savings in 2017 and 2018. The majority of those savings will come in 2017; so we have good savings profile as we look at 2017.

The other elements of the program, the investments that we're making to generate the savings, have remained exactly as we communicated when we initiated the program, including the after-tax cash requirements for the program. And we remain on track to hit both the operational and the financial goals of this key initiative.

Now, on zero-based budgeting, as we've said we've undertaken zero-based budgeting here at the back end of 2015 to set us up for the $100 million of savings in North America in 2016. Frankly, we ran some pilots in other regions of the world over the course of 2014, proved successful for us.

It's the right time for us to do this initiative as well: we were undertaking Project K; we wanted to make sure that that was going smoothly and on track. It is. So now is the right time for us to begin zero-based budgeting.

What you see on the chart is we are interrogating just in North America in excess of $2 billion worth of discretionary spend in supply chain overhead, logistics costs, brand building, and other overhead and research and development as well. We expect the program in North America to roll out over the next couple years, 2016 and 2017; and then we're putting the right structure and processes in place to make sure that we sustain those savings going forward.

What you also see here is other regions around the globe are already starting or getting ready to initiate zero-based budgeting. In Europe and Latin America, they'll begin the diagnostic work as they start 2016, and we do have the potential to recognize some savings in those regions towards the end of 2016 as well.

In Asia Pacific, they'll start a little bit later, go through the course of 2016, set them up for the 2017 financial year. This, too, reinforces our confidence in getting back on our long-term targets in 2016 and beyond.

I wanted to show one chart here in relation to our sustainability programs. Our Company has done a great job at reducing greenhouse gas emissions, reducing the amount of waste going to landfills, and investing in responsible farming.

What's important here, though, is we are also generating returns in relation to these investments. You see at the top of the page about $22 million worth of savings. Now, granted, this is over about a six- or seven-year period; but the point here is we are doing the right thing from a sustainability standpoint and we are generating financial returns in association with these programs.

Now, we've generated strong cash flow over the past five years, $1 billion or more. As we've undertaken Project K, one thing we did commit to was pushing hard on working capital opportunities to try to offset the cash requirements for Project K. And I'm pleased to say, as you look at 2014 and 2015, we've been successful, particularly with our supplier financing initiative, in offsetting much of that cash requirement for Project K.

As I mentioned, we raised our guidance on cash flow in 2015 based on the success in that program. This chart shows our working capital performance versus the peers. Now, this is on a rolling 12-month basis, looking at our average working capital over that period in comparison to our average sales.

So our period performance -- and this is the 6.4% -- is at the end of September. The period performance is actually slightly better for that. What you see here is that we have reduced our core working capital by more than 1 point over the first nine months of 2015; and as I said, we have industry-leading levels in terms of our working capital position.

What do we do with our cash? Well, you'd find that we return it to our shareowners, up for where -- when we are making a sizable acquisition. Remember, when we bought Pringles we did take an opportunity to pull back on share repurchases, paid down some debt, and strengthened our liquidity position.

We've returned over $6 billion worth of cash to our shareowners over the past five years. We expect to work within the 40% to 50% dividend payout ratio.

We're a little bit above that at this point in time, based on the impact that currency has had on our earnings per share. We chose to still increase our dividend despite that, recognizing the confidence we have in our earnings growth over time.

We also said in 2015 that we would buy back approximately $700 million to $750 million worth of shares. And we expect a similar level of buyback in 2016.

Now, here are some examples of acquisitions that we've done over the years. I wanted to talk a little bit about what interests us in the acquisition space.

First, small businesses in the natural and organic space. We're looking across the globe at opportunities with these businesses that might fit the changing consumer habits.

In addition, snacks businesses, whether they be in the domestic market or in the international markets. And the intersection of snacks with emerging markets, very interesting to us as well.

Generally you'll find we're doing bolt-on acquisitions. And, guys, we remain extremely financially disciplined when we buy businesses. We've had a lot of success with the businesses that we've bought over the years, so that we're confident that we can return the appropriate returns to our shareowners.

In summary, we're back on our long-term targets in 2016, and we have the visibility to be on those targets beyond 2016 as well. We have very strong base productivity programs, but also significant structural cost-improvement programs that give us visibility not just in 2016 but in future years as well. That should allow us to grow our cash flow in line with or better than earnings growth.

And we are absolutely committed to long-term, profitable growth. With that I'll turn it over to Q&A.

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## QUESTIONS AND ANSWERS

**Simon Burton** - *Kellogg Company - VP IR*

Okay. We've got about 10 minutes for Q&A for John and Ron, and then we'll move on to North America. Yes, you want to go, Ken?

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**Todd Duvick** - *Wells Fargo Securities - Analyst*

Todd Duvick, Wells Fargo. A quick question for you on the balance sheet, Ron. You said your debt balance is a little on the high side. I don't think it's out of the ordinary in terms of where you've been historically, but you do have about $1.25 billion of debt maturing next year.

You talked about keeping your share buybacks about the same in 2016. What do you expect, absent any acquisitions, in terms of debt levels going forward? Do you expect them to stay about the same?

And can you just talk about, from a financial policy standpoint, what (technical difficulty) really look to in terms of managing your balance sheet?

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**Ron Dissinger** - *Kellogg Company - SVP, CFO*

Yes. We've been pretty consistent on our communication in terms of our ratings. We've said we like the BBB+ rating, but our preference is to be strong investment-grade, BBB or better. And we've been managing our balance sheet in conjunction with that.

If we do a large acquisition -- and a large acquisition for reference is something like the size of Pringles, about $2.7 billion -- we're likely to pull back on share repurchases to manage our financial position, to make sure that we have the financial strength to address any acquisitions that fit with our long-term strategy.

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**Simon Burton** - *Kellogg Company - VP IR*

Ken?

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**Unidentified Audience Member**

Thank you. Can you talk a little bit about the balance in implementing ZBB and also wanting to keep people and morale at a high level? Because one of the things that we're finding when we're talking with some of the other companies that are implementing it is it creates an impression in some employees' minds that they are not as valued as much, that some of the discretionary spending they were able to have previously was not there.

Just if you can think about or help us understand some of the balances you're trying to put in, so that ZBB goes in smoothly. Because it's easy to cut costs. It's not as easy necessarily to avoid some of the unexpected ramifications.

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**Ron Dissinger** - *Kellogg Company - SVP, CFO*

Well, as you can appreciate, zero-based budgeting is a cultural change for all companies that are going through the implementation. What I can say -- our North America team is going through this first. They have done a great job at engagement through the entirety of the organization: holding town halls to talk to people about what they found within the benchmarking that we've done and the diagnostic work on our cost structure, to pick out the a-has. Did you know that we're spending this amount of money in this area? To bring the people along with and get them to recognize they are owners of the Company as well and they should be spending money like it was their own. That's what we would expect.

So that engagement, it takes a lot of time, it takes a lot of effort as well. But that team is done a great job at bringing the population along. And we'll need to continue to do that as well so that people understand the changes that we are making are for the long-term health and success of our business and to get back on our long-term targets.

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**John Bryant** - *Kellogg Company - Chairman, President, CEO*

Paul Norman has done a phenomenal job of leading this North American organization through the ZBB initiative. Anything you want to add, Paul?

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**Paul Norman** - *Kellogg Company - SVP, President Kellogg North America*

No. Ron said it very well. I do think -- we keep saying we're a values-based culture in our Company, and we all do this in the context of the Kellogg values. So we're not trying to be on the bleeding edge of ZBB implementation, on a scorched-earth end of all the cuts.

We're trying to do it in the context of a growth strategy. So we talk about it all the time in Fuel for Growth. We constantly solicit ideas from the organization to put back into the business to get more growth, so that there is full engagement.

I'm not saying it's easy, but there is an open and honest dialogue at all times about how we want to do this, what makes sense in our culture, what doesn't make sense in our culture. But it's a big change program and a big change in the way we operate and behave -- that you need to sustain, which I think Ron mentioned, which is really important.

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**Unidentified Audience Member**

You mentioned the key learnings that you figured out in the US and Canada. I guess my question is: what are the key learnings? Why were the strategies different or not consistent in UK and Australia in the cereal business?

Did you just come up with four different strategies and see which one fits? It just seemed like an odd way of conveying it to us.

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**John Bryant** - *Kellogg Company - Chairman, President, CEO*

Well, I think we're making good progress in the US. You've seen the business respond. Special K Red Berries has been fantastic, so Special K is now back in growth in the US. Special K is not in growth, say, in the UK; so we have an opportunity to take some of the lessons learned around Special K specifically -- whether it be the positionings, the change we made in the US, as well as some of the food -- and apply some of that great work to, say, the UK.

We have Special K Nourish launching in the UK early next year, so (technical difficulty) in the US. So we are sharing the learnings rapidly around the world.

We'll have the opportunity later on -- you'll see from Craig, his presentation. Chris will talk a little about Europe and some of the opportunities there as well. One of the great things about having global category teams is we get to see what's working in what market and rapidly reapply around the world.

I'd say we've had great progress in the US and Canada; work to do in the UK and Australia. We're making progress against that work, and we expect better results in 2016 as a result.

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**Unidentified Audience Member**

Can I ask about promotional activity? It seems as though it was very intense in 2014, pulled back in 2015. Will you be applying ZBB to ineffective trade spend?

And what do you make of the big retailer that's saying they want increased promotional spending a couple years down the road? Thank you.

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**John Bryant** - *Kellogg Company - Chairman, President, CEO*

Promotional spending is an area that we're always looking at. I think it is an area that we can be more efficient in over time. I think application of ZBB-type tools to trade spend is an interesting opportunity for us.

As I said with brand building, we'll take those items that are not working, pull back on that, do more of what is working, and try to drive more effectiveness and efficiency in the promotion spend line over time. So it's a continuous improvement area, as opposed to a big radical shift one way or the other.

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**Unidentified Audience Member**

I'd like to ask you your impression on these margin targets, so the 2020 goals, the 17% to 18%. There's two thoughts.

The first one is that from your starting point now certainly it looks like a strong improvement. When you look across the sector, though, especially when you look at one of the companies down the street from here, in the mid-20%s on their types of goals after their cost savings, it really doesn't look as good.

Can you comment on how you get to this 17%, 18%? Is this a stretch to get to this number? Could it be higher? Or -- and how do you compete against the guys down the street with mid-20%s type OI margins?

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**John Bryant** - *Kellogg Company - Chairman, President, CEO*

Well, from where we are today we think 17% to 18% is the right goal. It's consistent with our long-term guidance playing out.

We can do better over time; but in the time frame that we gave you, we think that 17% to 18% is right. Yes, [obviously] we can go higher than those numbers over time. There's nothing structurally stopping us from doing better than that.

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**Unidentified Audience Member**

I had a bit of a follow-on question. If the productivity savings coming in through mostly offset inflation, which we're in environment where that should occur, and you've got a couple hundred million dollars of savings over and above that, between Project K and ZBB, that's a roughly 10 percentage point benefit to operating profit. So what I was trying to understand was: could we see operating profit even accelerate?

Or -- because you've talked about having enough money behind brand building, are there other investments, whether it's emerging market or people or just a region that you may want to put money into?

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**John Bryant** - *Kellogg Company - Chairman, President, CEO*

In terms of reinvestments, we have sufficiency in brand building. We have a lot of brand building as a Company. We are more focused on moving that money and making it more effective.

Now some of the brand-building savings from ZBB, for example, might get reinvested back into that brand-building line to ensure that we have the top-line growth that we're looking to achieve. So that's how I'd think about the brand-building piece.

There's no question we have significant productivity programs as a Company. If we're not going to invest back into brand building, we've been making investments in our organization over the last couple of years; but it's one of the reasons why we have so much confidence in hitting our financial metrics as we go into 2016 and beyond.

And clearly if we do well on the sales guidance, with the high end of the sales guidance we could beat the operating profit guidance in 2016.

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**Unidentified Audience Member**

John, you made a couple pretty significant investments in Africa recently. It seems like there's not too many other people at least spending in that particular market right now.

What were you seeing there? Is this an indicator of maybe where -- there's certainly plenty of opportunities where others have spent money, more in North America. Is this more -- does this tell us where your head is at as far as where the growth opportunities might be acquisition-wise for the next five years?

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**John Bryant** - *Kellogg Company - Chairman, President, CEO*

I certainly think emerging markets is a very interesting area for acquisitions. On the Nigeria deal itself, it's an incredibly attractive deal. Amit will talk more about that later to give you a sense of why we're so excited about Nigeria. It's one of the best food assets in Africa and really transforms our business in Africa, which we believe will be one of the great growth opportunities for the future.

I also believe that what's happening in emerging markets today -- they're a little soft and actually that's the time to invest. That's the time to go out there and make these sorts of strategic acquisitions. So, yes, I think we will be more acquisitive in the emerging markets over the next three or four years.

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**Simon Burton** - *Kellogg Company - VP IR*

Let's do one more question. Andrew; and then see if then we can wrap up.

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**Andrew Lazar** - *Barclays Capital - Analyst*

Thank you. I guess I'm still not totally clear just with respect to the gross margin side, why with Project K and ZBB and all the underlying productivity, a benign input cost environment -- or what appears to be one, broadly speaking, moving forward -- I guess why we wouldn't see potentially greater gross margin expansion. Is it just purely the investment in the food that you're making?

Is it that some of the areas that you're going to be getting outsized growth are -- there's a negative margin mix shift, just as the faster-growing areas are a bit below maybe where the core cereal margins are? I'm just trying to get a sense of that, because the math there still is confusing to me.

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**Ron Dissinger** - *Kellogg Company - SVP, CFO*

Yes. While we are seeing a relatively benign commodity environment when you look at the exchange-traded commodities, there is inflation in other areas of the commodities. And there is inflation moving the commodities to our manufacturing facilities and converting those commodities as well to be able to produce in our manufacturing facilities. We're seeing increases in logistics costs also.

Having said that, our base productivity is offsetting those costs. Take our inflation that we're seeing in the business, base productivity, we're flat to slightly deflationary.

We're taking some of the Project K savings and we are investing it back into food, and that is having an impact. That food investment is having an impact on our gross margins.

On the third-quarter conference call I think I said roughly 20 to 30 basis points as we're going through 2015. It escalates or increases to about a half a point as we look at 2016, as our mueslis and granolas increase, the food renovations we've done behind Special K and some of our other foods as well increase.

So that's having an impact. And remember, what I said was we expect to be flat to up slightly.

And we're not completely clear on how ZBB will push into cost of goods sold. We certainly expect savings there, Andrew, so it may provide additional benefits.

## PRESENTATION

**Simon Burton** - *Kellogg Company - VP IR*

Okay. Thanks, guys. We'll move on now, Paul Norman; and then we'll follow up with Craig Bahner, President of U.S. Morning Foods.

**Paul Norman** - *Kellogg Company - SVP, President Kellogg North America*

Eric, you leaving? I'm just going to speak. Good morning, everyone. It's great to be here with you this morning. We're going to talk about where we stand across North America, where we're going in North America, why we're optimistic across our businesses that we can get back to profitable growth in 2016 and sustain that beyond 2016.

This is the North American leadership team. I'm going to call out four people or so here who are in some ways new or -- and one of them, a certain Australian who works at Kashi, is a boomerang as he calls himself to the Company, David Denholm, who is back leading Kashi. Dave will talk about where we stand in Kashi, as John said, and his vision to take the Kashi Company forward; and it really is an exciting vision.

Craig is relatively new to the Company, been here four or five months, has hit the ground running on Morning Foods. He's excited about the potential of our cereal business, and I think you'll be excited when you've hear Craig talk about where we're taking the particular the cereal business.

Deanie is new to the Company, three months in. She sees nothing but potential in our snacks business, and she's going to talk to you about the on-the-go opportunity, how we can distort more investment to our biggest brands within snacks to accelerate our snacks business.

We also have the benefit of having in the room Ozan, our new CFO for North America; he's with us today. Ozan is leading the charge from a ZBB point of view across North America. He came to us from our European business. He joined the Company three or so years ago.

You'll also hear from Andrew on Frozen today, and Wendy on Specialty Channels as we unpack the North American strategy. So you'll get good visibility into many of the leaders today.

I said at the beginning and I'll say it at the end: I feel very, very confident, as John does, about the quality of the leadership in North America. That gives me enormous confidence that we're on the right track to get back to profitable growth.

This is our business. You know the size of the business, just over $9 billion. Six business units. Number one or number two positions in every category in which we play.

What isn't on the page is the tremendous house of brands we have as a Company. As we go through business unit by business unit we'll talk to those brands, we'll talk to the potential of those brands, and we'll talk to what we're doing behind many of those brands to accelerate growth in our business.

John talked up front about this volatile space that we play and live in: the customer and the consumer landscape in food in particular. I'll go a little deeper on a couple of these in a minute.

20 years ago the biggest driver of choice for any branded food was taste. Today, the biggest driver of choice for any branded food is taste. Taste wins always.

Health, wellness, transparency, nutrition -- trends change each month; something else is important to a consumer. Today it's real food, it's real ingredients, it's cleaner labels. But never will they sacrifice taste for health.

We're in an advantaged position across our US portfolio because we have some fabulous taste brands. We have some good general taste and health brands. We also have some very healthy brands that taste great; and Dave will talk to his portfolio this morning so you get a sense that our portfolio is well balanced to compete on taste and on health.

Convenience continues to be more important. Consumers are willing to pay a premium for convenience.

You'll see when you look at our portfolio -- and Deanie will mention it and I'll mention it in a second -- we underindex relative to our competitors in terms of the amount of food we sell in snacks in particular in singleserve sizes. That's an opportunity gap that we think we can go after big time in the next three, four years.

Millennials purchase more cereal than any other generation out there. Millenials love variety; Millenials love repertoire. We play in repertoire categories.

We are perfectly positioned with many of our brands to win with Millenials. In fact, many of our brands significantly overindex with Millennial families, and I'll talk to one in a second.

Then John talked about these last two, which actually blend together. The changing retail environment and how shoppers shop is really influenced also by this polarization or the polarity in income that we're seeing in this country, where ecommerce is growing and also we see both ends of retail growing.

I'll talk to how we're performing in a minute in some of those channels. As John mentioned, our big brand portfolio in some of these more limited SKU environments or places like ecommerce really is an advantage that we can play to as we go forward.

How people shop is changing how we market. More and more it doesn't matter whether you're in a brick-and-mortar store, or whether you're with your device about to press Buy: that's where we need to be. So we need to distort our investment to get to our audiences wherever they are, whenever they are, so that our brands are ubiquitous -- big word -- at all times to all consumers whenever they choose to purchase.

Let's dig down on taste. We've mentioned it already once today. I firmly believe -- and I was with many of you 16, 18 months ago and also at CAGNY, talking about our reinvestment in food and our reinvestment in putting more of what women want in Special K. We put more Red Berries in Special K; we diverted our investment in Special K to the food, from selling weight-management programs like Lose 6 Pounds. All our identity and our visuals around scales and symbolization of weight loss disappeared, and we focused flat-on on the great taste of our food in the context of wellness.

We've seen the brand turn. As John said up front and I'll say again, investing in our food -- we're a food-first Company -- is critical to our growth as we go forward.

It doesn't mean that health, wellness, and transparency aren't critically important. Dave will talk to his consumer and the importance of what happens in his food, if you're Kashi or Bear Naked, relative to his holistic health-seeking consumer.

By the beginning of the year we will have taken our Kashi business completely Non-GMO Project Verified. I think 50% of his portfolio will be organic.

So we're still committed to doing the right thing, by consumer, for the right brand. We're also embarking, as John said, on the biggest-ever renovation agenda: removing things that people want less of in our food.

But that's a balance. Where you often get the bigger bang for the buck is putting more of what they want in the food. Sometimes removing what they don't want is purely hygiene; you don't always see lift from those kinds of things. But you need to be doing them.

John mentioned Open For Breakfast. It's a small program, but we're having a lot of success with this digital two-way dialogue where consumers, people, can ask us any question they want about our brands, our portfolio, our foods. Sustainability, nutrition, what goes in our foods, where we source our ingredients, how we make our foods.

When people have had these conversations, with often many people from inside our Company, real Kellogg employees, they go away and the reputation of our Company goes up in their minds. So this is, as we go forward, more and more important to today's consumer, that the companies they buy their food from they can have honest, open dialogue and transparent dialogue with them about where those foods come from.

Two big opportunities to grow. We've touched on these; John touched on one in particular around out-of-breakfast consumption. Craig will talk to this; Deanie will talk to this; Wendy will also talk to this.

Convenience. Our share, as I said, of sales and snacks that go through in singleserve formats is significantly lower than two of our largest competitors in the categories in which we compete. This says nothing but opportunity gap.

We talk about Project K and getting our supply chain fit-for-purpose for the future growth of our business in emerging markets; okay? Also in North America, we need to lay the groundwork to be able to step change our growth when it comes to on-the-go formats.

Millenials, we know they are variety seekers. The fastest-growing, most over-indexing food with Millenials in our cereal portfolio is Froot Loops. It's a huge brand with Millenials; indexes at 195. This is a picture that John showed promoting out-of-breakfast consumption for Froot Loops, which we've seen grow.

Craig will talk to the versatility of our foods. He'll talk about some of the work we're doing on other brands like Rice Krispies in a minute, in particular to Millennial moms. So a huge potential here for us to invest disproportionately to grow our business disproportionally in years to come.

Talk about new ways to engage and buy, and this is the blended retail environment. When you pick those channels or those channels that -- and this is Nielsen data -- so you pick dollar, drug, club, convenience, those faster-growing channels, interestingly enough our portfolio across the Company in the US is growing faster than the category in all of those channels. So we have potential to grow disproportionately in these faster-growing channels. You add in ecommerce, we have some bets we can make to growing faster as we go forward.

Marketing. John showed some data that's I think broad North American data about how we spend our media. This is snacks data. Back in 2012 we would have spent 75%, 76% of our media on TV and very little in digital.

If you look at how we're looking to spend in 2016, it's almost 50-50. When you think of brands like Pringles, you think of brands like Cheez-It, you're beyond snacks, think of brands like Pop-Tarts: how we interact with consumers today, especially Millenials, is morphing and changing. It is incumbent on us to go meet our audience wherever our audience is. That just changes our method of reach to find those consumers.

So, I believe our brands are as relevant today as they ever were. We have, as John said, sufficient investment power in our business. We're going to unpack through the different businesses what's going on over the next hour or so, and you'll see.

If you look at the core six cereal brands and you see the published data, the trend is improving. In fact, the latest four weeks would show already the big six have been growing for most of the year. We're growing sales and we're growing share.

Those brands are strong. They talk to the majority of needs in the cereal category.

Our Cheez-It brand is growing nicely. Our Pringles brand is accelerating. And as you'll see when you talk to David -- and you've probably seen the data -- our Kashi brand, particularly in cereal, is coming back to flat to hopefully grow next year.

So underneath our business, our biggest brands are strong. And that gives me the belief and the commitment that we'll grow next year and we'll grow profitably in North America.

John showed the strategy for our business globally. Here is strategy for North America, and we're going to go through each of these with the teams.

Win in breakfast; Craig will talk to this. Build the next generation snacks business; David will talk to this.

Within here, Andrew with his Frozen business plays a critical role, obviously in breakfast through Eggo and savory. And then he has a dream and vision to grow our veggie business, to double it in size over the next five years by taking that business and transforming it from meat substitutes to veggie cuisine. So that lives clearly within these two pillars of, if you like, our where-to-play choices.

Deanie will talk to you how she plans to transform snacks over the next three, four years; and we'll talk more about that in a second. Then Wendy will talk about her business, which really plays into the win where the shopper shops, over and above what we will do anyway through our mainstream channels and our mainstream businesses.

I'll touch on enabling growth, because a couple of things have got to happen that we've got to be best at. We'll talk about Fuel for Growth in a second as well, and then I'll pass you to Craig.

Let's talk win in breakfast. You've probably heard this message from me several times over the past 18 months or so.

These core brands, the big six, need to fire on all cylinders if we're going to win in terms of the category growth in the US. We need to invest back in our foods. We're a food Company first.

Cereal is and always has been a fun business to be in. It's a fun category; it's a repertoire category.

If you're not always on with fun and engagement in this business, we cannot grow the category. And that means promotions, that means ideas, that means properties, that means advertising, that means big tentpole events in-store that drive interest and engagement to the center of the store.

Then the trend that is our friend, as John mentioned, out-of-breakfast consumption. We need to invest to accelerate out-of-breakfast consumption of cereal as we go forward. Craig will talk to a lot of this as he comes up in a minute.

Deanie will talk to how we're going to transform snacks, investing to accelerate growth behind our biggest, most advantaged brands. Unlocking this potential in on-the-go that is significant for us over the next four or five years, and that starts now. And as you do that you can expand your channel penetration to make sure our foods are available in those formats wherever the consumer would like to buy it, in whichever retail environment that food needs to be.

Frozen. Andrew's going to talk about continuing to drive and accelerate Eggo. There is upside potential in penetration and our Eggo businesses. It's a fabulous brand.

We're going to differentiate and scale our savory business. Not everything needs to come with bread, sausage, and egg, quite frankly in the savory handheld business. We have some pioneering innovation that we believe will transform this category in years to come.

We're also going to transform our veggie business, and Andrew will talk to what we're doing there. A lot of that kicks off in early 2016.

Dave will talk about where we stand on Kashi, the progress we've made, where we're going, how we will become the leader in plant-based nutrition in this market. And he'll give you some insight into some great innovation that's coming down the road and talk more about how we're going to win with food-first consumers in the US business. Having a vibrant, growing Kashi Company within the Kellogg Company in North America is going to be huge in enabling our ability to grow consistently going forward.

Underneath those where-to-play choices there are some big enablers, and these probably become self evident as I talk. We're a food Company first and foremost. We win through preferred food and packaging.

We will continue to put more of what people want in our foods. We will continue to remove from our foods what people don't necessarily want in our foods. We will continue to innovate, but innovate further ahead -- from Kashi right into our core businesses -- into places where the consumer is going to be: more real food, more real ingredients, more sustainable big innovation.

Innovation isn't only food. Innovation is also packaging.

We're going to unlock on-the-go. The format that food comes in is critically important, so you will see more format work, more packaging work from us as we try to bring more demand solutions to consumers wherever they want to shop.

I've talked a little bit already about brand engagement, data-driven behavioral marketing. Agile partnerships with small companies to drive and build content that we can put into the social sphere, if you like, to amplify through social media, to get our brands as part of the conversation.

And then this notion of ubiquity: being there, always on. Whether I'm in a store with four walls or whether I'm about to press a button, our brands need to be top of mind at all times with consumers.

Our supply chain is part of Project K. If we're going to do some of these things -- better food, better packaging, more agile in the way we operate -- our supply chain is fully onboard to deliver this destination over the next three, four years.

And all of this requires talent and new capabilities. So we're also looking to invest, as we have been already in sales, but we will be investing in other ways to get more talent into the right places to drive this agenda.

Fuel. We call it Fuel for Growth, but I know listening to most of you, it's now Fuel for Profitable Growth. So some of this fuel goes into growth, some of this fuel goes into expanding margins.

Ron talked about ongoing productivity in our business in North America, which is obviously built in as we go forward. We're making good progress on cash flow through our supplier financing initiative in the US.

Project K is there ticking along on track, and now we're layering on ZBB to find more cost savings and to really, more importantly, focus more of our investment against those things that drive the strategy. And if it's not driving the strategy, if it's not delighting in consumer, maybe we shouldn't be spending that money.

We are looking at reinvestment opportunities through ZBB, like we are through Project K. I have a list coming together of investment in innovation and renovation-accelerating activity, which I think is fundamental. This is where some of that investment in food comes through and packaging.

Brand activation. We have one or two brands today in our portfolio that are great brands that we, quite frankly, could activate and I think get a high return on that investment. Brands like Keebler, for example.

On-the-go formats. Bigger bets in places like ecommerce. Also some rods in the water in places like direct-to-consumer, so we can test and learn our way into how the consumer is behaving in the future.

And obviously, ongoing investment into capabilities. But as Ron said and I'll say it as well, some of these savings will go against investing for further top-line growth; and obviously some of these savings will go to guarantee and expand margins as we go forward as well.

So it's not everything goes back in the business that we find. We will be choiceful about how we use the money that comes through from ZBB.

So as I close, I said it first and I'll start my summary with it: I think I have a great leadership team coming together, a team that will take North America forward. Our brands are relevant today, as relevant as they ever have been.

We have sufficient investment. We need to deploy it as effectively as we can, which might mean distorting it to certain places to get higher growth in our portfolio.

Underneath, our base momentum -- as Craig will talk about, Deanie might talk about as well -- of our biggest brands is positive. That gives me confidence we're on the right track.

And we are committed to top-line growth, to OP margin expansion, and continued growth in strong cash flow. Thank you. Thanks.

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**Simon Burton** - *Kellogg Company - VP IR*

Craig?

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**Craig Bahner** - *Kellogg Company - President U.S. Morning Foods*

Well, thank you very much, Paul, and thank you to all of you for being here today. I am, as Paul said, five months into this role, and I couldn't be more excited to tell you the Morning Foods story today. So we'll get right to it.

As both John and Paul have talked about, winning in breakfast is a key part, a key pillar of our global and our North American growth strategies. And the most important priority, the top priority for winning in breakfast in North America is, as Kellogg's is a market leader to lead the category back to growth and in so doing grab a disproportionate share of that growth such that we grow our market share -- profitably, of course.

Now as we think about the things I'm going to talk to you about today, if you take nothing away from my discussion but these three things, I want you to take this away. Number one, we are encouraged by the results we're seeing in the marketplace. We're encouraged by what's happening today and the progress we're making. I'm going to share some of that information with you.

Number two, we are confident that we have the right ingredients to grow this business in the near term and on a sustained basis as we move toward the future. And number three, we are intensely focused on delivering profitable growth on our core Pop-Tarts and cereal business. Our core cereal and Pop-Tarts business is over 90% of our Morning Foods sales and profit, so we've got to win in this space, and we're highly committed to doing that.

Now, why are we encouraged by what we're seeing? Well, let's see what's happening in the sales progress in cereal and with Kellogg's over the past year.

You can see that the category has struggled, as you know. It was down 2% -- nearly 2% on a 52-week basis. But those trends have been continuing to improve.

This is data that ends at the end of the third quarter. And you can see the past four weeks, at the end of the third quarter the market was essentially flat.

You'll notice that in 2015 Kellogg's has been leading that growth, such that we've been growing market share. Our sales have been ahead of the category progression as we've moved through the periods of 2015.

We talked about -- how does that translate to market share in our core six brands? Those core six brands are where we put a disproportionate share of our innovation, brand building, and focus in the store, and that strategy is absolutely working. We're seeing our core business grow.

Those brands are Special K, Frosted Mini-Wheats, Raisin Bran, Rice Krispies, Frosted Flakes and Froot Loops. Those brands at the end of -- for quarter three grew 60 basis points.

Now we just got some public data from Nielsen just two days ago that takes us up through the week of 11/7 and I'll share what that data is: Kellogg's sales up 1.4% versus year-ago past the four weeks. And our core six brands up 80 basis points versus year-ago. Our portfolio market share up 60 basis points versus year-ago.

So we're encouraged by the results we're seeing, and it gives us confidence that the plans we've put in place are working. What are some of the things that are driving this business?

You've heard John talk about Special K, you've heard Paul talk about Special K, and I'm going to talk about Special K. Why? Because it's our biggest and most important cereal brand, and driving Special K is essential to having a thriving cereal business.

We talked about renovation, giving consumers more of what they want and taking away the things that they don't want. Well, guess what? On Special K Red Berries, what they want? You guessed it, more red berries.

We put more berries in. This variant is up 6.3%. It's stabilizing and driving our Special K business back to growth. In fact, past four week data, Special K grew 6.6% as a total brand franchise.

Let's watch the advertising that's driving this business. (video playing)

Now, we're innovating on the rest of our portfolio beyond Special K as well. Raisin Bran is in its third consecutive year of growth. In fact, in 2015 we're up nearly 8% year to date.

We launched a new line extension, Raisin Bran with Cranberries, that has continue to fuel the growth of Raisin Bran. In fact, that initiative has hit 70% ahead of our going-in expectations.

Frosted Mini-Wheats, it's our third-largest brand. This fall we launched a seasonal item called Pumpkin Spice Frosted Mini-Wheats. It exceeded our expectations. We sold everything we could manufacture; became one of the top Mini-Wheats SKUs at our key customers. And in fact Frosted Mini-Wheats was growing share over the past four and 12 weeks.

And it's not just about the food innovation, it's about executing the brand promise in the store each and every day. We have a major event -- we call them tentpole events -- where we scale our portfolio to win in the marketplace.

In period eight we had the Back-to-School event, and we launched that with a tentpole event, and we grew. We won that Back-to-School event versus the other competitors in our marketplace, growing share 30 basis points, driving huge levels of display in the store. For example on Pop-Tarts where our display was up 30% -- or nearly 30% versus year-ago.

So we're encouraged by what we're seeing. You can see some of the highlights that are driving the business. But let's take a minute to look forward.

I'm encouraged by what I see in the market structure of the marketplace, because in the cereal category we all know that cereal has had a tough couple years, but the reality is this. Cold cereal penetration in the US still is hovering at about 90%. Those 90% of households buy on average nearly 21 boxes of cereal per year.

Now, there's a lot of smart people in this room. You don't even need a calculator to think about what can happen if we can get that consumer to buy just that one more box of cereal.

Now, it doesn't sound like it should be that hard, but of course it is. But we've got the right ingredients for growth, and I'm going to spend a few minutes on each of these areas that we're going to be driving growth in. First of all, food that absolutely rocks and excites and delights our consumers; brands that are relevant and matter and that consumers like today; and shopping experiences that inspire.

Let's start with our food. After all, as Paul said, we're a food Company and making great food is the number-one most important thing we do.

We're absolutely back on our game and leading innovation in the cereal category. In 2015 we've increased our share of innovation in the category to over 40%, well above our fair share of the marketplace. Translate that across the Morning Foods portfolio into the value we're creating, already in 2015 year-to-date we've delivered 8% more value than we did in all of 2014. And we -- our innovation portfolio, and I'll talk a little bit more about that, is loaded and we see double-digit improvement in the value of our innovation going into the marketplace in 2016. So we're very excited about the value that this can add and the growth it can create.

The headliner for 2016 is the launch of a new variant on Special K called Special K Nourish. It's imperative that we continue to fuel the resurgence of the Special K brand, and we're going to do this with this line extension, signaling to consumers the new look and feel of Special K.

This is amazing food. It's got just what consumers are wanting to eat: ingredients like quinoa and almonds and real fruit and coconut. It's some of the best food we've ever tested in the history of Special K. Customer acceptance has been absolutely outstanding, and we're investing to drive high levels of awareness and trial behind this initiative and drive our Special K business.

Now it's not just Special K that we're innovating on. In fact, we have a number of innovations that I can highlight briefly.

On Mini-Wheats we're bringing another premium offering to the table called Harvest Delights. It starts with a very basic shredded wheat biscuit that consumers find to be very nourishing. We put real fruit bits in it, and we drizzle it with an amazingly sweet glaze. It's awesome food; strong customer acceptance; and we are very, very excited about Mini-Wheats Harvest Delights.

On Raisin Bran, Raisin Bran Crunch, we want to continue to fuel the growth of Raisin Bran. We'll take a page out of the Special K playbook, and we understand that what consumers love most about Raisin Bran Crunch are those crunchy clusters, and we're going to put more clusters in there. We're going to fuel this to continue to drive the growth of our Raisin Bran brand.

In 2015, we had great success with a licensed product behind the Disney movie release Frozen. Created a lot of excitement and energy in the marketplace.

Well, Disney has a release in 2016 called Finding Dory. Now, it's of course a sequel to one of their biggest hits ever and their number-one selling DVD movie ever, called Finding Nemo. We have a licensed product called Finding Dory that will be out there in the marketplace, and we have high hopes for that.

Finally, we know that while many, many consumers are looking for healthy alternatives like Special K Nourish, there's also a significant segment of consumers that are looking for chocolaty indulgent pleasure. We pulled our Smorz brand off the market, and consumers didn't like it at all. It quickly became our number-one most requested cereal. So we'll bring Smorz back, so those consumers that have a taste for chocolaty pleasure and indulging cereal are going to be able to have that need met in the Kellogg's portfolio.

These are just a few of the innovations that we're very excited about in 2016. Many of them you can find in our booth across the hall, so I hope you get a chance to sample them and taste what we're excited about firsthand.

Now, aside from innovation in our food, of course we are all about brands. I feel so privileged to work on just an absolutely incredible portfolio of iconic brands.

In fact, if you look at the 2014 Millward Brown Brand Power study, Kellogg's has five of the top 10 cereal brands in terms of power rating. Again, that's well ahead of our market share.

And let's not forget about Pop-Tarts. Pop-Tarts is the number-one power brand among teen breakfast foods.

We talked about our core six brands. If you look at our core six brands, we have a portfolio of brands that is positioned to serve a broad demographic target group and need states.

Now, the magic of having a portfolio of brands is that you can be very precise with how you target the brands, and we're working very hard to get each of our brand positionings more precise and more focused. And that leads to stronger results.

I mentioned Raisin Bran is on its third consecutive year of growth. Let me talk a little bit about what we've done with Raisin Bran.

We've focused Raisin Bran in on the Boomer consumer. They have some very specific needs.

They grew up with cereal. What they are interested in is a meal that they can feel is heart-healthy, they feel good about it, but it still has to taste absolutely great.

Raisin Bran is perfect for this. It's got heart-healthy crunchy bran flakes, and it's got succulent sweet raisins.

We can bring this message to the consumer in a way, in a campaign, that is very relevant to their life stage, to the things they're doing, and even the music they will remember. Let's have a look. (video playing) I don't know if Dave is going to have on his boogie shoes or his golf shoes, but you can see how that gets the message across about Raisin Bran.

Now another brand that we're very excited about targeting, being very specific, is Pop-Tarts. Again, I mentioned the number-one breakfast food among the young consumer. We've got an amazing marketing campaign coming on Pop-Tarts that will completely surround the consumer.

Let me tell you about it. You all know that 2016 is an election year, and Pop-Tarts is staging the craziest selection ever. All 22 flavors of Pop-Tarts will be competing for the title of Pop-Tarts President, and the consumer is going to vote in that election. We'll announce the election via TV and via social media like Facebook; and for the first time ever we're going to use live engagement with our consumers via Snapchat.

Consumers will go on their phones to vote for their favorite Pop-Tart flavor for Pop-Tart President, and every time they vote they'll be entered to win a pair of Monster Bluetooth speakers. There will be a winner every single day throughout the course of the Pop-Tart election.

Let's have a look at the TV advertising that will kick this campaign off. (video playing)

Now, we know that with that TV I think it's absolutely amazing when it hits the target audience. But those consumers aren't just sitting around waiting for our TV ads to hit; they want to engage with our brands when, where, and how they want to engage. That's why about half of our spending on that Pop-Tarts campaign will be spent in nontraditional media channels.

Now, once we've got these brands that are relevant and engaging to consumers, we need to bring them to life in the store. Cereal is a highly, highly competitive marketplace at the point of attack, and we need to create shopping experiences that inspire consumers to go down that aisle and pick up that cereal and put it in their basket.

That starts with getting the fundamentals right. The three fundamentals I want to talk about today are perfect shelf, account plan effectiveness, and win at retail.

Now, this is an area that we have tons of data around. But I'm going to share just a sampling of data that gives you confidence and gives us confidence that we're on the right track in this space.

First of all, perfect shelf is about having the right brands, the right products, the right foods, in the right spot on the shelf, when the consumer wants it, and when the shopper goes down that aisle, so they can find exactly what they're looking for. Through some very strong category management work and through managing our assortment, we're seeing our base SKU velocities grow, meaning our shelf assortment is being much more productive and generating more sales.

Now, we measure this in terms of dollar sales per item per million dollars of ACV. On a 52-week basis, that measure says the velocity of our SKUs was down 1.4%. On a past four week basis, we're seeing that completely flip, so that the velocity is up 6/10 of a percent. That's a 200 basis point swing in just a year, and it tells us that we're on the right track in making sure the consumer can find what they're looking for when they're looking for it in a retail environment.

Now, how about account plan effectiveness? Account plan effectiveness is a measure of both the efficiency and the effectiveness of the trade spending that we put out in the marketplace. We've done a lot of work to make sure we're getting the best bang for our buck, the best ROIs in that account plan effectiveness. As a result we're able to invest more effectively and more efficiently, and we're seeing our promotional lift in 2015 up 11% versus the base we set in 2014.

Finally, win at retail. I think many of you have heard us talk about feet on the street, about getting those Kellogg sales reps back in the stores at the point-of-sale, and winning in each and every retail location. Well, I'm happy to tell you we're up to 57% of our volume being covered by Kellogg sales reps. We just issued some new sales reps over the past -- or we just engaged and hired some new sales reps over the past few months.

We're seeing effective results from this as we're seeing our share of display up 5% in 2015 versus 2014. So just a sampling of data that gives you some confidence that we are winning at the shelf with our account plan and winning at retail with those Kellogg sales reps and those feet on the streets.

Now beyond that, we believe it's our responsibility as the market leaders to help our customers, our retail partners, think about better ways to drive growth in the category. Let's talk about an idea, a concept, called the age flow cereal set. Traditionally, the cereal aisle has been set by manufacturer block: here are all the Kellogg cereals, here are the manufacturer G cereals, here are the manufacturer P cereals.

But that's not really what the shopper cares about. They really don't care who makes that cereal brand. What they are looking for is their brand that they need for their state and their occasion. So when the consumer is walking down the aisle, mom might be thinking: I need something for my meal; or I want something the entire family can enjoy; or, gee, I'm looking for something for my kids to have breakfast before school this week.

So we set our aisle up in an age flow with kids, all family, adults. We've got this now in 40% of our ACV, and we're seeing a 200 basis point increase in category sales growth in stores that have the age flow set versus stores that have the traditional manufacturer set.

One other one. We talked about this on-the-go, the desire for a consumer to be able to consume immediately and to have immediate consumption and have portability. We've created a dedicated on-the-go set that is now in 54% of ACV, and we're seeing that drive our cereal in a cup line up 10.5%, indicating that we're better meeting the shopper's need for that portable occasion and that immediate consumption need.

Now, those are the three areas -- brands that matter, food that rocks, shopping experiences that inspire -- but I want to spend just a couple minutes in terms of out-of-breakfast consumption. Both John and Paul have alluded to this. It is about 35%, 36% of consumption and it continues to grow.

You heard a little bit about Froot Loops earlier. I'm going to talk about a different brand. I'm going to talk about Rice Krispies.

Now, Rice Krispies is an amazing brand. It's long been known for its versatility. You can put fruit on it, you can put toppings on it, you can use it in many, many ways at breakfast or out of breakfast.

And of course it's also a great treat-making brand. I'm sure many of you remember having Rice Krispies Treats, or maybe you even make them for your kids today.

Well, this continues to be a big area of opportunity, and we've created a campaign that encourages versatility with Rice Krispies and encourages treat-making with Rice Krispies. In fact, right now we just launched Holiday Rice Krispies that have little red and green rice pellets in it, so you can enjoy the cereal and making treats. Let's have a look at the advertising we've got on air right now to drive this idea. (video playing)

Finally, I'll mention Pop-Tarts. This is the ultimate portable breakfast, the ultimate snack that you want to have at your fingertips when you want that lift. We're doubling down on Pop-Tarts in 2016 to dramatically expand our singleserve distribution, putting it at the front of the store so it's top of mind and with arm's reach of desire, as John said, so that the consumer can pick that up and have that snack ready to go.

So we're encouraged by what we're seeing in 2015. It's been a year of stabilizing the business. It's been a year of seeing sequential improvements in our results, and we feel good about the growth we're seeing right now.

We're committed to profitable growth. We believe we have the plans and the food that rocks, the brands that matter, and the shopping experiences that inspire to return our cereal and Pop-Tarts businesses to growth in 2016. And we're stocking the pipeline with bigger innovation ideas, more relevant brand-building opportunities, and even greater shopping experiences that inspire ideas that will accelerate and sustain our growth in 2017 and beyond.

In closing, we've got the right plans in place to sell that one more box, food that rocks, brands that matter, shopping experiences that inspire. We're going to continue to expand usage with cereal versatility and usage expansion.

I've got a passionate winning team that is completely committed to profitably growing the cereal category in 2016 and beyond. I'm bullish on Morning Foods, and I hope you are too. Thank you.

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**Simon Burton** - *Kellogg Company - VP IR*

All right, everybody. Thanks very much. We're going to take about a half-hour break. We'll come back here for everybody on the webcast about 20 after. That will give you a chance to go see the great booths across the hallway, have a snack.

(Conference Instructions) We'll see you back here in a half-an-hour. Thanks.

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**Simon Burton** - *Kellogg Company - VP IR*

All right, everybody, we are about ready to get started again for the second half of the morning. We are going to finish off North America starting with Deanie Elsner, President of U.S. Snacks business. We will work through to David Denholm, last presenter, CEO of Kashi, and we will do 10 minutes of Q&A. We should be breaking for lunch sometime around noon. So with that I will introduce Deanie. Thanks.

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**Deanie Elsner** - *Kellogg Company - President U.S. Snacks*

Good morning. As the newest member of the North American leadership team and the newest member of the Kellogg executive team I made the decision to come to Kellogg based on three reasons. First, values-based culture. Second, incredibly strong portfolio of brands. And third, an equally incredibly strong leadership team.

In the world of ZBB and cost-based management leadership and culture attracts talent, talent transforms businesses. I signed up for a journey to transform a business. Now, I am 90 days in, so I am not the expert by a long shot. But let me give you some perspective of what I initially see in terms of observations.

First, I have the privilege of growing and living in a category that is the biggest and fastest growing category in retail today in the snacking category, fantastic. It is consumer driven growth, it is on trend with consumers, snacking is where consumers are going, long-term prognosis is good. I have got a competitively advantaged portfolio that can easily work within these trends and within that growth momentum. So, check, it looks great.

Second, I have got a history of growth in this business. We have got a long tracker at and what that means is I have got an organization who knows how to grow, who knows how to compete, who is agile, flexible, who are hungry to win. Good, check.

Third, the history that we have had on this business over the last two years really has been a drag from the wholesome portfolio, specifically our weight management part of the portfolio. That drag through the end of 2015 is largely behind us, so now we have got to shift to figure out how we are going to grow going forward.

As I do that you have heard ad nauseam from Paul and John what is ahead of us and I really think there is tremendous opportunity for us to grow going forward.

I love the concept of if you're going to make change do big things to big brands and that is what we are going to do. We are going to invest aggressively and drive hard behind the brands that we know consumers love and we know we can grow.

Second, we are going to step change our capabilities to on the go and singleserve snacking, not because on the go in the car is so incredibly important, but because today so much of what snacking is happening is variety based snacking. And consumers want an easy way to drive variety throughout their snacking occasions. And so we have got to shift our portfolio to a snacking singleserve option.

Third, this new world of the Millennial. The Millennial consumer is so fascinating but importantly they are a variety seeking consumer. We have a repertoire portfolio, so as I look forward the opportunity for us to marry our repertoire portfolio with a variety seeking consumer is a home run.

And I am going to share with you pages that you likely have already seen; I'm not going to spend a lot of time explaining these. The snacking category is big, it is $90 billion big today, the growth has accelerated over the last seven years and it is good growth.

I read a study the other day that said by 2020 the snacking category will hit $100 billion. That is great news for a business that is focusing on snacking. The best part of this category today is that it is consumer driven. Consumers are snacking more and not only are they just snacking more; they are snacking more and more frequently throughout the day. So there are more occasions.

Remember that word occasions, because the world of marketing has to change to meet the needs of a consumer at the right occasion with the right format at the right time in the right channel. That is the formula going forward.

If you look at how consumers are consuming meals, this is what is so fascinating to me. What was traditionally breakfast, lunch and dinner, 50% of consumers today are subbing out snacks for meals. What does that mean? Our narrow view of how snacks used to be defined as a cookie or a crisp no longer exists. We have got to broaden our aperture to get after snacking from the mindset of the consumer.

Now this is where the beautiful part of consumer and business are married. Our role in the North American portfolio is very simple -- we have to drive sustainable profitable growth. Sustainable profitable growth, top line and bottom line. I've got to build a team of people who know how to do both, right.

In this portfolio I have to transform my snacks business to meet the needs of the consumer on their terms. And if we do that, and I am confident we can do that, if we do that then we will win in North America and Kellogg will win as a Company.

Let me break down the snack portfolio for you just a little bit. If snacking is growing at 4% the subcategories of snacking are also growing, they are growing at food or higher across every segment.

What is important is the adjacencies to these segments, right? So it is not important if I am just focused on cookies. If I'm focused on cookies I've got to win in cookies, but I also have to look to see where I can source volume from the adjacent categories. Remember, variety, repertoire, bringing consumers into your segments.

My portfolio is a diversified portfolio of snacking options. If you look at the portfolio mix it pretty much mimics the market structure within which snacking exists. My go-to-market delivery is both DSD and warehouse so I can shift and be flexible by the needs of the new channels emerging.

And finally, my portfolio is well developed in traditional grocery. But look at the opportunity I have to shift my portfolio into the other channels where snacking is growing faster. I love this picture.

Our position in terms of the portfolio, I like to call it a hungry number two. We have to try harder; we have to get more inventive. Within our portfolio we have got the number two position in almost every segment we compete and we have got good market share.

But important for the Kellogg Company, my gross margin is accretive to total Kellogg. So any dollar I deliver to the portfolio of total Kellogg is an incremental dollar that is accretive to the total profitability, that is good news for us; that says invest more in me.

Consumers are changing, if you look at the Millennial consumer they are a much larger snacking consumer than Gen X and Baby Boomers above them. What is interesting about this is Millennials index high against the Kellogg snacking portfolio brands. That means if we can meet the needs of this consumer where they shop in the right format and the right price at the right time for the right occasion we win.

We have got a track record of success. We actually have had a track record for wonderful success with the exception of the last two years where we kind of flattened and we actually declined a little bit. Now why is that?

Well, a big part of that is the weight management portfolio within wholesome. As the consumer stopped counting calories and shifted to looking for the right calories, we had a happy footprint in a brand called Special K that was all about calories. So we have to shift that brand.

The good news is the drag of that shift through the end of this year is largely behind us and we have done a lot to both fix the portfolio offer that we have in wholesome, but importantly we've done a lot to figure out how we move the other parts of our portfolio more in sync with the consumer.

The consumer is a funny thing. If you sit back and take a look at what is happening across the board in terms of total consumer profile, what we are experiencing today is an unprecedented shift in consumer behavior. It has never happened what is happening today. And it is all being driven by the consumer, specifically two really important consumers in North America, one called the Millennial and the other Latina.

The Millennial consumer today is 17 to 34 years old. In total pop they are about 5% bigger than Baby Boomers. They are the new mainstream. They will be with this portfolio and with all of these companies for the next 30 years, they will be influencing -- their behaviors will influence how the companies respond.

And you can't get to them easily; they make decisions very differently than any consumer prior to them. They love brands, just like their parents loved brands. But brands on their terms, brands that meet their needs, brands that meet their needs in the right format, brands that meet their needs in terms of transparency. So we have got to shift to be Millennial focused.

Latinas -- Latinas, they're 17% of the US. They punch above their weight because they feel more like they are 40% in terms of presence. Their cultural relevance is incredibly aspirational. What is important about Latinas is going forward Latinas are going to represent about 60% of the total growth in the US. That is amazing. They are big families. They are an attractive target. So we have got to shift our portfolio to meet the needs of this consumer.

Now these consumers are changing and transforming the landscape that our competitors compete in today. They are going to convenience, they are going online, they are expecting customers to change their way of doing business.

And their rapid adoption of mobile and technology is changing the communication landscape. So, you step back and you say, as a marketer what do I have to do to meet this new consumer's needs?

I have got to change the ingredients stream of my products, I have got to make them more available, I have got to put them in packs that they want to buy them in and be where they are. I have got to change my communication landscape and I've got to make sure I am a brand that meets the needs of this consumer.

Paul mentioned to you that in Snacks next year our split between linear TV and digital is going to be about 50-50. It is a huge departure from what we have done in the past. I am not doing that for efficiency purposes; I'm doing it because it is a more effective way for me to spend my money against this consumer. And, yes, it is more efficient, it is more efficient but it is more effective to get to this consumer. That is why I am doing it.

Look at our development across our channels. We have been enormously successful at growing big-box brands in big-box stores. Now we have to shift to the opportunity of where impulse singleserve snacking is being purchased, making our brands available there. And if we do that, that is the upside of what we have going forward.

If I look at singleserve and I look at a really big cookie and cracker competitor that I think about every single day, our singleserve offer is about 50% of what they have in their portfolio. They are double in terms of volume that they deliver in singleserve.

If I compare myself to a rather large salty and snack competitor in the marketplace I only have about one third of my volume in singleserve versus them. So get to the right channels, get to the right format, that is the key unlock with this consumer.

I love our portfolio. I'm going to share with you just four stories, but I promise you it was hard to figure out which of these stories to share with you. But I want to give you a perspective how we are going to immediately begin to change our portfolio mix in 2016. I will start with Cheez-It.

John, Paul all mentioned Cheez-It is a $1 billion brand. My gosh, I love this brand. 19 consecutive years of growth. My first reaction is, oh my gosh, I don't want to be on the desk the year we don't grow. Please let it not be me.

But I don't have that fear. I don't have that fear because today general penetration of this brand is 38%. Our penetration among Millennials, 43%. Our penetration among families with kids, 50%. One in two households family with kids is a Cheez-It brand. It's amazing.

Today I am growing household penetration among every key consumer cohort that we track, every one of them. That is almost unbelievably -- you can't imagine -- it is not possible, but it is. It is because consumers love this brand. And the key to keeping the spring fresh and alive is to age with the consumer.

So when the consumer ages away from Cheez-It as a snack you've got to find another way to make Cheez-It relevant to their life. So in 2016 what are you going to see us doing? You're going to see us significantly dialing up our media investment to get Cheez-It in front of the consumers. Drive hard against big brands with big ideas.

Second, you're going to see us expanding across channels so that consumers who love this brand can buy this brand where they buy snacks.

Third, and this is the fun part of the equation, begin to find ways to expand the Cheez-It life with consumers as they age out of the base cracker. Now we have begun to do this. Three years ago, four years ago we launched a product called Snack Mix, it has got incredibly well developed among adults.

Snack Mix, it is just a new way to enjoy Cheez-Its, now bringing new news to Snack Mix and making sure we continue to tell consumers that we had Snack Mix, it is the flywheel you run when you are expanding your portfolio [across].

Here is the second thing, Grooves, we launched it two years ago. Year two of Grooves we are double-digit growth. Grooves is the marriage of cracker meets chip. In any market structure you look for that gray zone between two established market structure pillars, that is where the opportunity is. It was so in frozen pizza, it is in crackers.

Grooves meets that; it is a cracker that eats like a chip, incredibly good. If you have not tried this product, please try it at the lunch break, you will be blown away. Bringing news to this platform. News to this platform in terms of flavor but also format and channel.

And then finally expand across occasions. I told you remember the word occasion, because this isn't about making consumers snack more, it is about finding more ways to get your product into the occasions within which they snack, lunch bags, tailgating, social environment, singleserve in front of the TV. Find the way to connect and you win, that is what we're going to do on Cheez-It starting next year.

Next, the cookie portfolio, our focus here is all about unlocking the potential of our repertoire portfolio. In cookies variety is the formula. Drive variety and you went. Now we have got a great portfolio of the Keebler legacy brand and regional players.

Within Keebler what do we do? We signed licensing partnerships with M&M Mars and bring news to our Chips D chocolate chip cookie. It's a phenomenal cookie, try it if you haven't done it.

Within our Sandies product bring more pecans and bigger pecans so consumers have a more delightful experience. Paul's point about food and making food taste good is critical in this category.

Bringing news to E.L. Fudge with new base cookie as well as new fillings. Getting seasonally relevant with our Fudge Stripes. Fudge Stripes is a competitively advantaged cookie variety unique to the Elves and unique in the marketplace.

We brought news to that business this year with pumpkin spice. People Magazine declared pumpkin spice the best holiday offer at Halloween -- the fall harvest season, of any product out there. It was wonderful. Like Craig's business, it was on the shelf and off in just an unbelievable amount of time. That is how you bring news and variety.

On the regional side of the equation there are reasons for those regional players to be in place. Diabetes is exploding as a disease across America. Murray's cookies are cookies from the South, has three of the five highest indexing brands or segments against sugar-free cookies.

Our Famous Amos cookie is up double digit, 28% that business is up this year, year to date. We have put support and news behind it. Our Mother's Cookies is one of our highest indexing brands against Hispanics in the West.

So when I look at my portfolio of cookies I scratch my head and say, why can't we grow that? Of course we can grow that, that is in line with the consumer. And in fact that is what we are going to do next year.

We are going to invest behind the Elves. We are bringing the Elves back. They are relevant today. Their simple way of doing business is incredibly in line with the consumers today. Making cookies in a Hollow Tree, secretive, get them out there, make them connect, it works. We're going to expand across -- by the way, we don't really make cookies in the Hollow Tree, that was just marketing.

We are going to expand across channels, make our product available where consumers shop. Source from adjacency with new flavors, seasonally relevant flavors. Pumpkin spice was a great hit at fall harvest, so will red velvet be at the start of the year. So will a chocolate fudge stripe reverse be. So will peppermint patty be. Fudge Shoppe has got tremendous opportunity for us.

Getting to simply made cookies in terms of clear transparent ingredient lines has been a hit for a segment of consumers that has been wonderful to see. And bringing news to Famous Amos is the first news will bring to Famous Amos in terms of new products in almost eight years. This is the wonderful leak to us, we are bringing variety forward.

Finally, expand across occasions. Make these products available to consumers where they shop and how they consume, we will win and begin to reset cookies for growth going forward.

Let's talk Special K because Craig did a great job in terms of really telling you how we are reforming and transforming Special K from a weight management brand to a weight wellness brand. So resetting Special K for growth has been a key priority in my view for the last two years. It happened well before I got there. I am happy to take credit for it but it happened before I got there.

They have reset the brand, they have reformulated the products, they have changed the packaging, they have gotten to the ingredient stream and the transparency consumers are looking for. And in the bar category we are seeing the results.

Latest 52 weeks down 5%, latest 12 up 7%. That is not promotionally driven, that is because we are giving the consumer what they want. So we have got more work to do here, but I am encouraged by what is ahead of us and I'm encouraged about what we have been able to accomplish so far.

Let's talk Rice Krispies Treats. If there is a brand in my portfolio that I just have a ton of heart for it is Rice Krispies Treats. I am a mom; Rice Krispies Treats are the mom's yes food. If you didn't know that check in with your significant others or your spouses or your girlfriends, find out, it is mom's yes food. Why? Because it crosses the intersection of where wholesome meets treats.

It is always a yes, right? And so whether it is in singleserve bars, up 94% this year, or licensed properties, up over 50% this year, or seasonally relevant activations, up over 84% this year, Rice Krispies Treats can transform this business and grow just based on being present where consumers are needing sweet treat occasions.

So our plan next year on Rice Krispies Treats is to bring news to the brand, make it aware among consumers. Spend behind it, expand across channels. The pan cookie that you see in the -- in the expand across channels, the big one, that is a pan of rice crispy treats.

Now, if you have ever made these at home and the commercial that Craig showed was absolutely wonderful. Absolutely wonderful because it showed all the different things you can do with Rice Krispies Treats. If we now cut to the chase and say you don't even have to make it, you can just buy a pan and then decorate it the way you want it, that is a way to unlock occasions.

We are going to source from adjacencies in sweet treats and in candy and bring consumers into our categories and we are going to expand across occasions -- Valentine's Day, Fourth of July, back-to-school, New Year, holiday season, Halloween. All areas where wholesome meets treat is a win for mom. Get mom more of what she wants.

What is interesting about Rice Krispies Treats? Once it gets into the house 50% of the consumption on this brand is non-kid consumption. Everybody loves this brand, so if we get it in the house it gets consumed.

One of my favorite examples within the snack portfolio is Pringles. Five years it was flat, doing nothing. Kellogg bought Pringles, integrated it into the business and immediately drove 4% growth in North America. Our plan is to accelerate that growth going forward. Why? Because we can.

Pringles is an and purchase. What does that mean? It means I don't go into the store thinking I've got to buy Pringles, it means I go in and if I am motivated and I am inspired, if it gives me a reason to engage I buy Pringles, it is a purchase for me.

And so our job becomes very easy- - expand capacity so we can meet the needs of this exploding product in terms of growth. Get the shelf right. Be where the consumer is, put the right flavors on shelf and be at the right price points to drive consumption. And then amplify this brand in the store.

This is a brand that if you put it in the hands of the consumers they go crazy, they love this brand. So if we look into next year, what are we going to do? We are going to increase our investment on our big brands that can drive growth in an accelerated way.

We are going to expand across channels, price pack architecture. We are going to put the right brand in the right format at the right time at the right price point to meet the needs of the consumer, whether that is lunchbox, snack stacks or value packs at the other end.

Three, we are going to source from adjacencies. We are going to bring in consumers from other categories to buy Pringles and start that flywheel.

Four, we are going to expand across channels. The fun thing about expanding across channels -- when you look at the package in this picture, it's the little snack stack, the insight that drove the production or that concept was based on lunch bag preparation by mom. Easy way to get chips in the lunch and that is great, singleserve category all worked.

What we are finding is once that is in the house it is a portion control pack for mom. It is an easy way for an easy snack on the road. So all of a sudden we have unlock the potential of Pringles.

I want to show you two Pringles spots, one a social media activation that we did that put the hands -- Pringles in the hands of our consumers; and second, one of our commercials that will be airing for next year. Can you cue the Pringles work? (video playing)

Now you know you guys do that. That is a fun brand, that is a fun brand. And the efforts are already working. We are already seeing sequential improvement all the way through our portfolio. As I mentioned, wholesome we've still got more work to do, but we are up for the task. Marketing is not hard, it is getting the right product in front of the right consumer to drive purchase.

So as I leave you I tell you this, I am excited about what is in front of us in terms of snacks. We've got a portfolio that is well positioned against Millennials and Latinas and that is the future growth within the North American portfolio.

We've got a repertoire that will meet the needs of a variety seeking snacker. I'm going to focus on the big brands that can do big things. And finally, we're going to step change our format towards singleserve and on the go. We will deliver profitable sustainable growth and I could not be happier that I am here.

Next up Mr. Andrew Loucks who is the President of Frozen. Thank you very much.

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**Andrew Loucks** *- Kellogg Company - President U.S. Frozen Foods*

Thank you, Deanie. I have the privilege of leading our frozen foods organization. And I don't know about you, I am excited about that Snacks business and the opportunity that is in front of us. But I am even more excited and probably slightly biased about the potential we have to drive profitable growth into our future leading the Frozen Foods business.

This is a very unique entrepreneurial business where we are going to continue to lean in and create opportunities for growth and I'm going to share a little bit of our story and where we are headed.

So first of all, to give you context of where we sit today. Frozen Foods is a critical part of our North American portfolio. About $800 million in net sales, revenue growth around 1% to 3%, and it is very profitable in terms of our operating profit exceeding the Company average.

As we think about our proven track record, we have a legacy of growth. We have a business that is at the top of our peer group performance over the last four years with a CAGR of just under 3%. And we have every bit of optimism that the team is working to ensure that we continue the growth momentum in a sustainable and profitable way.

So why do we think that our Frozen Foods business is well poised and positioned for growth? First of all, we all recognize the macro frozen food category has been challenging broadly speaking. But where we compete we have the opportunity to compete in very vibrant growing and attractive categories both today and projected to grow into our future.

When we think about frozen breakfasts where our beloved Eggo brand resides as well as our savory offering, that is the third fastest-growing segment over the past three years within the broader frozen category.

And then obviously we talk about veggie, there is significant opportunities with tailwinds happening that we will talk about and it is our opportunity to unlock that potential in what is the fastest growing frozen category over the last three years.

We have phenomenally iconic brands in the frozen category. We have the beloved Eggo brand which is the number one frozen breakfast brand. And we are playing with a broader universe within MorningStar Farms of the number two brand. But both of these brands are foundational to our categories, desired by our consumers and critical for our customers.

As we collaborate with our customers these brands are gateway brands in the segments. They have the highest attraction and the highest retention in the categories and will play and continue to play a very vibrant and vital role for our customers as we drive our growth going forward.

We have talked ad nauseam over this morning around what is happening in the ever-changing food landscape. We believe we have a position and a portfolio within the frozen portfolio that is poised for growth and that is culturally relevant for today's consumer and, more importantly, for the consumer in our future.

When we look at the beloved Eggo brand we know we have the opportunity to continue to drive penetration in households with kids with Millennial parents, and we are on the journey to do that. And in fact through the first two quarters of this year we drove a full point of penetration.

When we look at our MorningStar Farms business, we're going to talk about this, and Paul alluded to it. We are transforming the potential of this opportunity for the Kellogg Company. And we see this as an opportunity to really exploit the tailwinds of the Millennial cohort with relevant foods, driving a relevant brand where we already overindex today, but have the potential to recruit more of them in and drive sustainable profitable growth with our veggie portfolio.

And then as I sit here today and look about the future forward over the next three to five years, we have very tangible opportunities to dramatically inflect on the penetration across all of our portfolios. We characterize this as meaningful upside this morning.

When we look at our penetration in our recent business of savory handheld breakfast we are merely scratching the surface with five penetration points today in a segment that has well over 30.

When you look at our veggie foods portfolio it is a significant opportunity in terms of the scale and the propensity of the US population adopting a more veg-full life and we have every right to double the penetration within this business as we go forward.

In order to unlock that and recruit a broader consumer franchise across our portfolios, what becomes foundational and what I hope you take away, is that we are looking at adjacent expansion within our portfolios and within segments, a la savory handheld breakfast in our frozen breakfast portfolio.

But also looking at the opportunity to lean in with more disruptive innovation to capitalize on white space to drive our growth and play the role that Paul and the North American team are looking towards frozen as accelerating our frozen growth.

We are a very focused business, an incredibly focused business with a very clear strategy. Leadership in frozen breakfast is paramount to our success as we look forward. Foundational to that is growing our core Eggo business.

And then obviously, as I talked, we are on the front end of the infancy of our footprint within savory and we're going to continue to scale that business and we'll talk about how we are going to do that.

Our veggie foods portfolio becomes absolutely an emerging opportunity in a developed market, that being the US. As we look at this business foundational to our success is growing the core, as well expanding the portfolio and exploiting some of these whitespace opportunities.

This is a transformation in our midst and we are on the cusp of realizing that potential. But foundational to a healthy frozen business is ensuring that we are intentional in driving relevancy and saliency of our core business while we accelerate through the opportunities to grow. So for us it is core plus more is the right equation to ensure that we have a successful, profitable roadmap for growth as we look forward.

Talking to our future around our beloved core Eggo business, we have a very clear game plan in terms of how we continue to drive vibrancy in one of the strongest equities within the broader Kellogg portfolio of brands. We will continue to drive the modern expression of L'Eggo My Eggo; and as we lean into Millennial parents we know that 70% of Millennials talk via emojis.

Emojis are a common lexicon of the way consumers participate and communicate. But why not an Eggoji? We will enter into the lexicon of how we infuse the brand into the social conversation and become relevant and top of mind to be able to continue to drive our digital presence and our high level of engagement as we go forward.

Foundational to that within a big legacy brand like Eggo we have barely scratched the surface in terms of the penetration opportunity. How do we do that? Absolutely foundational is Millennial parents.

What I am not expressing is only Millennial moms, we believe as we see the evolving household dynamics with the role of dad, one third of meals being prepared, 40% of the grocery shop across the country is done by dads. We have an opportunity to make our brand relevant, we know Eggo is a love brand with dads. How do we drive a broader segment within Millennial parents.

We also know Hispanics. We have an unbelievably potent brand in the Hispanic community within the US. And Deanie has referenced it, every presentation has referenced it. One in six households across the US is an Hispanic household and the growth is significant. This becomes a great opportunity to create a tailwind for our core Eggo business.

Innovation is at the lifeblood of this business and I hope you have a chance to try some of our new foods. We feel that core of Eggo in terms of its DNA is absolutely desirability of the Eggo food. And as we look to drive our innovation agenda we are going to drive desirability at the core, but we're also going to reaffirm with some health reassurance with our oat and berry launch in 2016.

Why is that important? We are going to have the health reinsurance of steel-cut oats and real fruit pieces in our Eggo waffles to continue to drive and expand our penetration.

And then we have had immense success in the past driving our growth with great platform innovation, one being Thick & Fluffy, a phenomenally delicious waffle. We will continue to bring news to that with the Chocolate Strawberry.

And then obviously incumbent on being where the consumer is we have opportunities to drive channel expansion and access even within our frozen portfolio where we are largely developed in traditional grocery.

And then obviously one of our challenges is how do we drive from the perimeter into the frozen aisle? Big opportunity, huge opportunity for frozen. In fact, one out of every two consumers does not go down the frozen aisle on their weekly grocery shop.

We have brands that are in demand and desired by the consumer. We have the opportunity to bring excitement and inject that fun much like we have seen in Craig's portfolio around tentpole events and driving excitement to get traffic down the frozen aisle and drive conversion with our big brands.

We will do that through value-added promotions and leveraging the Power of K events were we can drive scale across the total store in the center of the store across the portfolio.

Shifting gears, scaling up savory becomes foundational to our leadership in frozen breakfast. Just recently this year we are seeing the benefits of launching and broadening our appeal with all family with the Eggo brand into the segment. This is an incredibly buoyant segment where year to date we are growing this business in aggregate 28% from a consumption standpoint.

We are incredibly optimistic about this being a key anchor with significant head space for growth as we look forward. As we look within Eggo in particular we have gotten consumer feedback. We talk about a vibrant healthy core. We've gotten some consumer feedback around a dis-satisfier of not enough cheese on our core products.

We currently have 7 grams of cheese, next year we're going to 11 grams. We are optimizing the food to ensure that in year two we can drive that critical trial to build this consumer franchise, for viability and sustainability in the long-term.

We are also exploring with unique formats. You will see a singleserve pack for Eggo. We are testing this in some conventional retailers and we are also testing this in partnership -- and you will hear this from Wendy following me -- big opportunity for us to drive greater access to some of our delicious foods.

As we look at Special K, Special K has multi-components to this business, we think we are scratching the surface here as well in terms of the opportunity for growth as we go forward. Core flatbread renovation, we have the opportunity to deliver on the core what the consumer is demanding in today's food landscape. We are driving cleaner ingredients as a renovation within our core portfolio in 2016.

In fact, the team has done a tremendous job in reducing the ingredient label statement by over 50%. So we recognize where the consumer is going, we understand what is in demand and we are recognizing how we drive that into our core parts of our portfolio.

To complement that we are also trying to, as Paul talked about, not just replicate what exists in the category today, but leapfrog as an opportunity for growth to really change the food offering within the savory segment.

We have innovation, the medley food that is across the hall which has baked inclusions in the patty is a first ever. So we are starting to drive premium ingredients baked into the egg patty as a very unique eating experience.

But then equally important, we understand that our innovation to drive incrementality and recruit our consumer franchise is absolutely paramount. And we have breakthrough innovation sitting within our savory portfolio that we are immensely excited about.

In fact, in order to challenge our conventions of how we do things we have an incubation process within the frozen foods organization in the US. It is a very open-source platform, we do rapid prototyping of food with consumers and a lot of what you see behind me in the breakthrough bucket is things that we have been partnering with open-sourced innovation through strategic partnerships but also driving rapid prototyping.

We are excited to launch crustless quiche, that becomes a big bet for us, a breathless version of a savory offering which is packed with goodies and aligned to the evolution of the brand on Special K from deprivation to celebrating positive nutrition and positive ingredients. It has got quinoa, kale and we're excited about what that does in terms of a statement for the brand aligned to where our strategic ambition is.

We have other initiatives in our breakthrough pipeline that we will also challenge our go-to-market. We typically think in the big box, as Deanie alluded to in the previous presentation. We are challenging ourselves, we are looking at eCom models, we are looking at partnering with different models on some of this incubation to also prove out to us that we can test, we can inform and we can ultimately scale to advantage the Kellogg portfolio within frozen.

So, we are excited about our frozen breakfast portfolio, but I think, as I said, we are on the journey to transform our veggie foods portfolio where we believe we have an opportunity to unlock immense potential in this business. And with that I'm going to roll a video just for context. (video playing)

So for those of you who did come in last night and went down the street to Morton's need not feel guilty. But we think that you are all opportunities within our opportunity to grow penetration on this business.

Every facet of this business by an incredibly talented team has been interrogated; it is our opportunity to realize when we have the leading brand in the space. And as we look at this we are driving brand engagement.

We talk about the new science of marketing. This is a business that is embraced that, 100% digital. We are driving experiences, we know we need to convert consumers by allowing them to experience our foods and show the versatility and the deliciousness of our food offerings.

So, we are out there engaging, we have challenge platforms taking the Veg of Allegiance and we are going to continue to build on that in a unique way into 2016.

Innovation for us is a balance of core where we launch into meat substitutes, more classic offerings. We have consumer preferred meal starters in our chick and beef strip products coming in 2016.

You also heard in the video we have opportunities to drive white space expansion on this portfolio. We have a footprint with a big ambition around veggie bowls and celebrating the veggie cuisine that we are offering, real visible ingredients that are on trend.

You'll trot across the hall hopefully, the Thai yellow curry, it is delicious, visible veggie ingredients. And we are ultimately driving that in terms of a reframe on the business from not an apologetic meat substitute but embracing a veg-full life.

And then obviously foundational to us is looking at our broad product offering and we have the opportunity to continue to drive with our brown pack line. And our brown pack line is a more premium offering that is vegan, made with organic ingredients, non-GMO. And we are going to continue to bring scale to that portion of our franchise. Our early offerings have been met with great consumer receptivity and we see a big opportunity for us to grow.

Foundational to that is ensuring we have the right capabilities embedded so that we can realize the potential of this business. We have new agency partnerships. We have reimagined our manufacturing network to build capabilities to drive the right innovation at the right cost so we can drive the structural economics of this business to create a flywheel for reinvestment to really capitalize on this as we go forward.

And then a big effort that we are working through the balance of this year into next year is embedding design thinking and the potential and the opportunity of our offering as a brand. We have reimagined the identity, it is much more modern, much more fresh, much more contemporary. But most importantly, we are transforming the physical structure of our packaging with preferred reclosable packs.

And what becomes even more critical is at the shelf. And as we look at our current offering in merchandising potency within the current landscape today it is sub optimal. So as part of this we will offer our foods in display ready cases, dramatically enhancing the shop ability for our consumers.

And as we have been partnering over the last 18 months with our retail customers, we share enthusiasm for this being a big catalyst in the veggie portfolio.

So as we look about the frozen foods portfolio and growing with foods and brands that matter, we absolutely have a phenomenal footprint in where we currently compete. Very attractive segments that are growing and will continue to grow in our future.

We have the enviable portfolio of brands to be able to unlock, nurture these businesses for vibrant futures of growth as we go forward. We know where our portfolio aligns today with the consumer. It is not only relevant for today's consumer, but more importantly relevant for tomorrow's consumer. And we are on the journey to continue to do that through our core as well as driving white space expansion and the right innovation plot.

We know we have meaningful upside, significant headspace for growth relative to penetration. We just need to recruit the right consumers, keep them in the franchise and continue to grow the foundations of our businesses as we go forward.

As we look forward Frozen Foods, as part of the KNA and Company strategy, we are absolutely unequivocally committed to delivering profitable growth. Thank you. With that I will turn it over to Wendy Davidson.

**Wendy Davidson** - *Kellogg Company - President U.S. Specialty Channels*

Well I am thrilled to be able to represent a fantastic team and a great business. The Specialty Channel spans really a very diverse portfolio. So I'm going to take you through this morning a little bit of our portfolio, a little bit of our track record of success and the things that have led us to that. And also the optimism we have for where we are headed and what we are going to do about that and really the role we play within KNA.

Our portfolio (technical difficulty) I get this question a lot. So specialty channels, what is that because it sounds a bit nebulous? But it is literally everything that touches the consumer when they are outside of large retail. So in our food service business that is everything from K-12 schools, college and university, healthcare.

It includes also lodging. So hopefully last night in your hotel room you were able to get some grab and go items in your room or you stopped by the micro market, those are serviced by our food service business.

It also includes things like B&I, so in your office space, the cafeterias that you eat in, both grab and go as well as back of house. And then military; we supply quite a bit too in US troop feeding as well as troop feeding overseas.

Our on the go retailing or small store format business includes traditional convenience, but it also includes alt retail. And I will walk you through a little bit of that in a bit because that is an area that has both been increased growth in the last couple of years and an area we have a tremendous amount of opportunity in front of us.

It also includes vending which would be traditional vending machines. And if you had a chance to see the display in the other room you saw a traditional vending machine, which would be the optimum, by the way, assortment of Kellogg's products which has no one else's brands in it and only Kellogg's. But you can see what a traditional machine would be.

But what is interesting about vending is vending has also expanded outside of traditional vending machines and now includes micro markets in a lot of B&I locations. Many of you may have where you can insert a credit card and you can actually get both fresh and prepared foods inside your office environment.

So vending has really gone digital and it has also allowed the consumer to be able to access foods really anywhere and everywhere possible.

In our other businesses, you are familiar with our Girl Scouts business which is a large and important business to us. We have been a supplier to the Girl Scouts business for over 40 years and continue to grow in that partnership. In fact, now you can find our Girl Scout brands inside other products, that gets us expansion in the retail environment to other parts of the grocery store.

We're also leveraging that partnership with Girl Scouts with some innovation which hopefully you had a chance to try as well like the gluten-free Toffee-tastic cookie. And this past year with the expansion into digital online cookie which continues to sort of elevate the Girl Scout experience.

Our custom business I will talk a bit about because that is a business we have invested in over the last couple of years which is really our brand is the Intel chip inside other people's brands and, again, gets us into parts of the marketplace where otherwise our products might not naturally be. And then direct-to-consumer which is an exciting venture that we will be launching over the next year.

Our business continues to have a track record of success, and you have seen this from us in the last few years. Third quarter for us was also very strong really across all of our businesses. The convenience business saw share gains in five of our seven categories.

We continue to outpace industry growth especially in the salty snack category and wholesome snack and in cracker. And a lot of that is exciting around on-the-go. In fact, we recaptured share leadership in cereal this last year really led by cereal in a cup. And so hopefully every time you stop to get gas you will stop inside and you will grab some cereal, maybe some crackers and a can of Pringles for you to eat on the road.

Our food service business saw great growth especially with back-to-school and we continue to develop a very robust portfolio to attract against that school business, which is both tray line feeding for schools but it is also a la carte. And a la carte has been a tremendous growth opportunity.

If you think about the school business, about 30 million children eat school lunch. And a smaller amount eat school breakfast. Only about 15 million eat school breakfast. That is up though 50% over the last decade and continues to increase.

Our brands naturally play in breakfast but they also play very well at lunch. And we saw that play out in this most recent quarter with really significant growth in our whole-grain Pop-Tarts, our whole-grain Rice Krispies Treats and our whole grain offering of Cheez-It.

So you find brands, our beloved brands but in a singleserve form but in a fit for purpose formulation, specific for schools that's both in line as well as in a la carte.

We had great distribution gains in vending and we actually sell three of the top 10 selling items in vending and have five of the top 10 cracker brands in vending. But we've seen tremendous growth with the acquisition of Pringles and the expansion of a Pringles spiral, you will see that in the vending machine display over in the booth across the aisle.

And we see great growth for us in expansion of Pringles and really, as Deanie talked about, the small sizes, small can Pringles expansion in spiral and that really led to some increased distribution gains this last quarter.

And then for us the restaurant business has been great growth. We are actually the largest share in the veggie category in restaurants within food service; we are also the number one veggie brand within food service.

But as Andrew talked about, the potential for that is tremendous because of where the consumer is headed but also the fact that we have not only great brands but we have a great portfolio of capabilities to be able to take to the restaurant industry not only in a burger form but also as an ingredient.

We've seen some great growth in our brands as an ingredient component in things like pizza or mix ins that our customers would like to make and certainly our brands on their menus. So we are excited about what we saw in quarter three, we are excited about where we are headed going forward and the potential for our business.

I am going to walk you through a little bit today about the channels that we participate in and why we are excited. The fact that they really lead in consumer trends and what that can play for the Kellogg Company but also for our own business as we expand across the channels.

The fact that we really believe we have a very advantaged business, not only in brands but in our go-to-market as evidenced both by our share but also our market penetration and I will walk you through a bit of that. And the fact that we are absolutely committed to profitable and sustained growth as we go forward.

So a little bit about our growth potential. And I describe our business as the emerging market of the US. Which might not be the way you would describe a business inside the US, but we do believe we are the emerging market.

As everybody talked about earlier today where the consumer is headed, tremendous opportunities for growth because the consumer has a 24/7 lifestyle. And our brands and our products in right format and right food fit for purpose have a great place to play there.

Our categories where we play or our channels where we play continue to see and outpace the growth in the industry which represents great emerging growth potential for us.

We are expanding to meet where the consumer is at. In fact, between the ages of 18 and 68 over 50% of those consumers consume products within same day. And on our channel they actually spend about 3 minutes choosing the item, they eat it within 20 minutes. So for us it is all about right size, right capability, right portability to have it at the right place for the consumer.

My goal is for our brands to be within arm's reach of the consumer anywhere and everywhere they happen to be. I really don't want them to have to reach more than maybe 3 feet and be able to grab a Kellogg product.

And there is a great opportunity for us with that because the younger consumers continue to look for that 24/7 lifestyle. Quite honestly the idea of three square meals really has gone away and now it is just all day snacking. As Deanie talked about, this is just a part of the lifestyle. So how do we make our brands available to the consumer everywhere they happen to be.

Our goal is driving brand ubiquity. How do I put our brands within arm's reach of the consumer? And we really look at that within three pillars. It is a great opportunity for us to build brand affinity with kids. Both in schools, as I talked about, but it is also a great opportunity in restaurants.

And I will walk through some investments that we have made around the commercial restaurant chain business for us to put our brands within arm's reach of the consumer on the restaurant side of the food service business.

It is also about bringing our brands within arm's reach of the consumer and right packaging format in those immediate consumption environments, which are in traditional convenience obviously but certainly in all retail, cafeterias and that on-the-go and vending and micro markets. And then we see great opportunities for custom products to be able to go to the consumer and you will hear more about that as we go forward.

We see great potential in branded food partnerships. So I talked about this Intel Chip Inside, we want to be the Kellogg chip inside other products that gets us access to parts of the grocery store where otherwise we historically wouldn't have been in.

We have a great partnership with Dannon which has our cereal brands blended with their yogurt gets us into the yogurt aisle. We have a great partnership with Breyers and we have our Girl Scout cookie brands in Breyers ice cream, gets us into the ice cream aisle.

We are doing some fantastic work with restaurant chains that have our brands on their menus and brands that we are building, again, that Intel chip inside in other parts of the menu both in consumer food manufacturing but also in custom restaurants.

One of the other great potentials of these brands or these channels is the potential to see where the consumer is headed with food. They play with food and flavor and form and package sort of earlier on for upfront. That fuzzy front end of innovation typically happens in the food service industry or in niche specialty markets where the consumer is playing with flavor, they are playing with form.

Our channels offer this great potential to not only see what is happening there but be a part of it, be a part of driving those trends, fast adapting those trends to bring into the Company so that we are launching foods ahead of where the consumer is at and meeting the consumer for a need before they anticipated that need was there.

I will give you an example. Sriracha, right, and we saw some earlier -- Deanie, we have got the sriracha mixes. Sriracha actually started as a hot sauce. You remember the one with the rooster on it that you would find in Thai restaurants and Asian restaurants. It very quickly adapted to really a sauce that was offered in casual dining.

Then it was found in QSR menus as a flavoring on sandwiches and in some cases salad dressings. And today you find it as a seasoning mix in singleserve snack mixes. We are even finding it in healthcare on sandwich items within a healthcare cafeteria menu.

Our goal as a division is we span this food industry and the potential for us to not only be at that point of inception but to make some of those points of inception and fast adapt across the rest of the Company for quick test and learn.

In fact the consumer often plays with food and sees food trends in food service first. They play with it in restaurants. Today 50% of the food dollar is food away from home and over 50% of that dollar in food service is spent in restaurants. We have been underindexed in the restaurant space, but our brands have every right to play there, not only as a brand inside but as a brand alongside. And I will walk you through some examples of what we are doing about that.

We have some fantastic structural advantages that have a long track record of success within these channels. Rice Krispies Treats and Pop-Tarts we renovated for all grain versions for schools. They are now the number one selling items in both the toaster pastry category as well as treats within K-12. Our growth continues to outpace across our channels in these categories and we have these fantastic brands to play with.

And as Deanie said, I am a big fan of the Elves, big fan of the Hollow Tree. And Keebler is a fantastic brand for us, especially in C store. In fact the number one selling sandwich crackers in C store are our Keebler sandwich crackers.

We have had great success in building brands within our channels as well. In the time that we have owned Pringles we've doubled the business in Pringles within these channels. Our growth continues to outpace the salty snack category and we continue to gain share there.

And have the number one warehouse delivered salty snack brand in the convenience channel and we will continue to drive this, both through core growth, so we see great turns on shelf, but really driving distribution.

We know, as John said, we can sell every can we can make. The opportunity for us is I need every little can we can make and putting those within arm's reach of the consumer everywhere they happen to be.

The story I tell people is we now have Pringles on airlines, so I hope all of you when you fly home you will ask when the cart comes by if they have Pringles. I always buy two cans. I give one to the person sitting next to me and I eat one. And it always starts a conversation with the person next to me.

You know what, I didn't know they had Pringles on the plane. So there is great opportunities for us to put our brands within arm's reach of the consumer literally at 30,000 feet or at ground level.

Cheez-It has been a fantastic brand for us. It is the number one cracker brand within food service. It is also the number one selling brand of cracker within the convenience channel and the number one snack cracker brand in vending. In fact, 5 of the 10 cracker brands in vending are ours.

And then of course our cereal category. We have a fantastic portfolio of cereal brands. But for us it is all about both singleserve and bulk. So if you go on a college campus you will find our brands branded but in bulk so that the kids can twist, turn, put it in their bowl, put milk on top of it and go sit down. They can also grab cereal in a cup or they can grab pouches and snack on those when they go to class.

We have the number one brands in C store and food service, in fact 6 of the top 10 brands in both C store and food service are Kellogg brands of cereal. So it is a very relevant category for us and very relevant brand. But for us it is fit for purpose, both fit for purpose food and fit for purpose packaging to make sure that we can put our brands that are beloved but within arm's reach of the consumer where they want those brands to be.

We have great powerful brands extending across other categories as well. Deanie talked about Famous Amos. Famous Amos is the number one brand in vending. It is a fantastic cookie brand celebrating its birthday this year, so hopefully you will go out and buy two bags of Famous Amos.

But we actually launched this year the double chocolate chip which has had fantastic appeal thus far and continues to drive our cookie portfolio within vending.

Eggo, as Andrew talked about, is a fantastic brand both in our college and university segment but primarily in schools, it is the number one brand in K-12 and if you see on retail shelves you will see the Eggo minis.

Eggo minis was an introduction that we had in the food service industry and continues to grow. It is actually a little pouch of mini pancakes, mini waffles that goes on a tray line for kids. You will see that expand also into other channels this year. Very excited about where the Eggo brand can go. And I will talk to you a little bit about what we are doing in commercial restaurant chains there as well.

And then lastly, as Andrew talked about in veggie. The center of the plate category in food service is a tremendous growth area. It is not an area that you would historically think of some of our brands playing.

MorningStar Farms, both because of the category that it plays, as Andrew talked about, in that growth of non-meat proteins. But also their fantastic brands and food allow us to play in a space that quite honestly is a huge opportunity in commercial restaurants.

We today have the number one share of national restaurant chains with our veggie products and the number one veggie brand in food service. But I would tell you that we are scratching the surface on the potential of that, not only because of the core organic growth of the veggie category, but the potential for us to play in other spaces.

Think veggie pizza toppings and veggie as an ingredient component, not only because of the changing diversity of the population but also the desire especially on college campuses that kids have of eating nonmeat protein. So a fantastic opportunity for us to have our brands within arm's reach both in the menu and on the menu.

Our role within the North American strategy, as Paul talked about, is we serve the underpinning. We span all categories and all brands, but our goal is to drive share within the channels in which we play, so it is putting those brands within arm's reach.

What gets us excited about it is for us, we expect to be a growth engine. As an emerging market of the US we would expect to drive accelerated growth. And we also expect to drive brand ubiquity. We have the potential to put our brands within arm's reach of the consumer anywhere they happen to be. And even in places where today they traditionally might not have been. And I'll talk to you a little bit about that.

It spans all categories and channels. And you can see on the right these are all the channels where we play today and all the brands and all the categories. But our focus is very clear regardless of channel and regardless of category and brand, it is to drive core penetration.

We still have great white space in the channels in which we have great strength. We have great opportunities to expand our channel reach both within the channels where we are at today, but also new and emerging channels. And I will talk to you about three of those that we are expanding in day.

And our goal is to win with our customers. Because in a B2B business environment it is as important to our customers that we expand the category as it is that we help ourselves. So our goal, as a Company, is to expand category growth, help our customers grow.

I would expect to outpace category growth and help make that pie bigger both for my customers and for my own brand. So our whole goal is making sure that we are driving increased traffic and increased reach for our customers with our brands and with our food.

Some of the new categories that we are moving into in new channels. We invested in commercial restaurant chains within the last two years, we actually put a focus team against this, to really drive where our brands can play within restaurant chains but also in commercial restaurants in our food service business, again, an area that we are highly underindexed. And I will walk you through the platforms in a minute.

Alt retail has been a great growth vehicle for us growing double digits, both through expanded distribution and in core growth penetration within the channels of where we are playing today. So here think bookstores, think hardware stores, think Build-A-Bear, all the locations that might be nontraditional places for you to find our products, but think snacks in a single serve form.

If I am going through Home Depot or Lowe's on the weekend and I am grabbing a coke at the register, I am also going to grab a Kellogg branded product on my way out. And so, there's opportunities for us to, again, put our brands within arm's reach of the consumer in all of these retailing environments.

In direct-to-consumer you will see some exciting things from us in the next quarter for next year and really driving that direct-to-consumer growth.

Why is the potential of these channels so great? We have great coverage in the channels where we are at now, but it is the potential of number of outlets. There is 50,000 retail outlets in the US. We have great coverage in retail done by our retail sales organization. We have 2 million potential outlets.

If I look at vending machines, food service establishments, our convenience stores, the potential is great for us to drive not only turns and penetration of our existing brands but driving innovation and driving secondary placement in those locations.

And hopefully you had a chance to see some of our merchandising examples out there. We know every time we add a secondary point of merchandising in a location we get immediate benefit both for our customers and ourselves. And so our team's goal is to make sure that we are driving reach and driving penetration within the accounts where we exist today.

So I talked about restaurant chains and what the potential is. We are really excited about this. We have got six platforms that offer potential for us to drive growth here. Salty, we have a great portfolio of salty whether that be Pringles or Cheez-It as a sandwich accompaniment.

Think of the size of the category in food service where a chip is served alongside a sandwich and a drink as a bundle pack. We are significantly underindexed in that space but have great potential to drive growth there.

Eggo, traditionally a breakfast item, we think Eggo is a great sandwich carrier. And if you think about that menu adoption curve, more and more you are seeing Eggo type sandwiches, waffle sandwiches. You will see from us this next year great exposure in the marketplace with some restaurant chains where our Eggo is the sandwich carrier on their menu.

We see great potential in ice cream and yogurt mix ins. We have had some great opportunities with our Dannon partnership and our Breyers partnership. We are going very deep here, but not just where you would expect it with our cookie brands but also with our granola brands but also with Pop-Tarts.

And you will see some things in the next year where Pop-Tart is the inclusion inside. So you might find Pop-Tart ice cream in parts of the US. And you might find Pop-Tart on the menu of a national restaurant chain as a mix in with their ice creams. Very excited about the potential of our brands married with a restaurant's brands and the potential in the marketplace for the consumer.

Veggie, I talked about the great growth potential we see both in center of the plate but also as an ingredient component. And our snack brands can play very well on a kid's menu. You can find it as -- so think about places where you go today where you are going to get a kid's meal and there is a treat in there.

We think our brands offer a very wholesome treat option, something that kids love and adore and something mom can feel good about for us to drive in the restaurant sector.

And then lastly, branded fresh baked cookies and the potential of us to leverage our Famous Amos brand further.

We also offer great opportunities for innovation and speed to market. Hopefully you got a chance to try the Zip Dips from Pringles in your room. If not there is also some across the way.

We are excited about this because it is the first time that a dip has been combined with salty in a convenient form. It gave us great both brand building but speed to market and our channels offer great test and learn. In fact we will be expanding this line as we go through this next year.

But one of the things that is great here was also the recognition in the industry. In the salty snack category we were recognized by the retailers as best-in-class innovation this year in the salty category as a result of this innovation.

So as we go forward and how we will accelerate growth in the future, it is about driving penetration and reach. And making sure that it is not just our brands and our food but it is fit for purpose for the channel.

And what is beautiful about our business is we treat each one of these businesses as a separate business. There is a team focused on what is the right brand, what is the right food, what is the right packaging, what is the right go-to-market and the right merchandising to make sure we get our fair share in that space.

But again also driving expansion into new and emerging channels. We offer great potential for us to expand our reach as a Company into areas of growth where the consumer is headed.

I am really excited about it. I think not only because we are in these emerging markets in the US, I have a fantastic team of great depth of experience, both within the Kellogg Company but across our industry, who are passionate about driving this growth and brand ubiquity in the marketplace.

We treat every business as a separate business and manage it that way. So what is the opportunity there, who do we compete with in that space, what it is going to take to win in that space, what exact products and brands need to be in that space, which bubble up to something large but are treated very much specific fit for purpose for those channels.

We have a very advantaged business, great brands and great foods and we have a great go-to-market model. And the potential for us we see in the future, especially going after those number of outlets is fantastic. And very, very committed to long-term profitable growth. And with that I will turn it over to David.

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**David Denholm** - *Kellogg Company - CEO Kashi Company*

Okay, good morning, everyone, and thank you, Wendy. I am delighted to be here today to share the exciting plans that we have for the Kashi Company. The Kashi Company returned to its Southern Californian home earlier this year. And we opened a new stand-alone office in Solana Beach.

Solana Beach is where the founders of the Kashi Company, Phil and Gayle Tauber, first sampled Kashi products. The product they sampled was Kashi pilaf and it is a product we still sell today.

We have hired a passionate team of specialists; a team of people who use market research techniques for validation, but a team of people that really looks to discover the new ideas themselves and through their networks.

We have within that team a great mix of experience and diversity and people join the team because there is a shared belief that we have a great deal of unrealized potential across our portfolio of three brands.

Having an inspired team united by a purpose is necessary, but it is not sufficient. What is also required is the right operating model. As CEO of the Kashi Company I ensure that we operate with the soul of a startup and the mindset of a small company. We enable quick decision-making and ensure we have the right prioritization and focus and particularly when it comes to category participation decision-making.

We also have a different economic model. We benchmark ourselves against our peer group competitors and not against larger mainstream food companies as was done in recent years with Kashi.

Kellogg provided a lot of opportunity for Kashi following its acquisition in the early 2000s. Kellogg drove a lot of growth supporting the Kashi business. But what is important is ensuring that we have the right level of operating alignment with Kellogg and I believe we have returned to a successful leverage model.

We leverage Kellogg for manufacturing and logistics, providing a lot of knowledge and expertise and efficiency. We leverage Kellogg to broaden our procurement reach and also our supplier validation. And we are also leveraging Kellogg for its excellent work being undertaken with global business services. All of this enables our team to better focus on our purpose. And we have a highly autonomous and focused structure.

Turning to the Kashi Company, we are a purpose driven Company and our sole purpose is to enable powerful, uplifting health through plant-based foods. In 2015 we've created a strong foundation hiring a great team. In 2016 we are going to see the business stabilize and complete, importantly, our non-GMO renovation across our entire portfolio.

We see a future of strong sustainable growth and we will selectively pursue acquisitions that help us in the pursuit of our purpose. All of this culminates in what we believe is a $1 billion business opportunity.

Our approach to this is really quite straightforward: we are going to deliver market-leading food innovation. We're going to provide customer thought leadership through unique levels of partnering with our customers. And we're going to move from what has been more of an exposure model to an engaged exposure marketing model.

We are already seeing some green shoots with the performance in our largest category, cereal, showing a slowing in the rate of decline in recent periods.

So turning to the roadmap for the Kashi brand. We are going to reinstate Kashi as a leader in the food movement. Our goal is to win back the hearts, carts and minds of holistics by reestablishing our identity in the natural foods movement.

We have done a lot of work this year on the brand positioning and have planned next year to actually reveal a very exciting and new visual identity across the whole Kashi range. We are going to reassert our next level nutrition, something Kashi is known for in the marketplace.

And as part of this winning back the hearts and carts and minds of holistics will advance the brand across the broader population. Holistics represent 11% of the adult population and they are the most informed when it comes to health and food trends.

So what are some of the trends we are working on at Kashi? Clearly everything we do is underpinned by plant-based nutrition. Put simply, plant-based nutrition is the answer to people and planet health.

We're also working on gluten-free combined with nutrient density, we see opportunities in the marketplace with that differentiation around the gluten-free proposition.

We also know that consumers are looking for lower sugar opportunities and we are taking that into account with our future innovation. And clearly digestive health is so central to everything and we see that being an important part of our future innovation plants.

Turning to the new marketing world, there has been so much change. John talked about the new science of marketing. And this is actually a wonderful opportunity for the Kashi Company. It is a world where conversations, content and data combine to drive brand awareness and convert that brand awareness into brand loyalty and trust.

So why do we love this so much at Kashi? Well, Kashi is very well positioned in this new world because we have 22 times the number of conversations in online around food forwards compared to the average of our natural and organic peer group competitors.

And in a world where ad blocking is becoming more prevalent we are actually seeing a rise in our engagement. And this year alone, even since we have launched the new team, we've seen a 79% increase in engagement in Kashi content on Facebook.

And we're able to leverage an incredible data ecosystem which also gives us a competitive advantage. A data ecosystem that Kellogg has been developing for some time. And this enables us to marry the right content to the right conversations and drive greater influence.

Turning to our engagement, we are really going to step up our influencer program next year. We are going to seek talk worthy stories and experiences that emanate from our food and connect those stories with influences to drive new conversations. And our analysis shows we have a reach of at least 1 million people.

And then we're going to amplify those stories and we are going to ensure that our messages are delivered in a very unique and compelling way. And the analysis we've done around this suggests and further validates our $1 billion business opportunity.

Turning to our food, the most important aspect of the Kashi Company. This is what we are known for, pioneering, progressive plant-based nutrition. We are shipping in mid-December our first new GOLEAN cereal. For many years we have wanted to launch a new GOLEAN cereal and we are pleased to announce that this is shipping in mid-December.

This new GOLEAN cereal is a perfect combination of progressive ingredients, popped sorghum, rolled red beans, pea crisps and pepitas combining in a non-soy, gluten-free cereal beaming with positive nutrition. We have had outstanding customer support behind this food and we are absolutely thrilled to be launching that for the New Year.

To coincide with this launch we have actually developed a new bar with a completely different texture. The texture of this bar is quite unique and it is based on not butters, and we do have samples out there for you to try.

My personal favorite is peanut hemp crunch, a combination of peanuts, hemp seeds, pea crisps, oats and buckwheat and millet. I can assure you this bar is a great eating experience and also it is gluten-free and soy free.

A new category for Kashi is plant based powders. Actually it is not a new category because we were in the powders business in the 1990s. And when we formed the team early this year we were very excited to enter the plant-based powder business. Why? Because we have observed behaviors.

We've seen an increase in the consumption of smoothies, juices and powders in recent years, with holistics but not just holistics. We are seeing it also across gen pop.

So for us we think this is a perfect product to advance our purpose. Why? Because most powders are whey based, go to the store and see for yourself. We are identifying this opportunity as one that is going to be a double-digit growth opportunity. In fact, we think in many years time you will see a much greater prevalence of plant based powders being consumed.

The design here is quite progressive. This is an organic breakfast super blend. Now you might be saying to yourselves, well, holistics, whole foods, processed foods, trying to reconcile that in your mind. Well, what I can say about this is this is not fortified with vitamins and minerals, it is actually designed from whole food sources, primarily fruits and vegetables.

And when you think about convenience and people who are time poor, you could make something like this from scratch but you would have to be really good and really efficient at your house and shopping, be it online and in the store, to be able to make this kind of nutrition from scratch.

So we know in talking to holistics they will consume these types of foods because they know it delivers convenient, positive nutrition that they can't make from scratch at home.

This will be a wonderful opportunity. We are already talking to customers about it. It ships around April, May of next year and we are getting a great reception for this product. Clearly a great opportunity for ecommerce as well when you think about the amount of powders that are sold through ecommerce channels. But we are thrilled to have this launch planned.

Okay, as a team we are taking cues from ancient cultures. We're actually looking back in history to actually then formulate the most progressive foods of our time. When you look at some of these ancient cultures, they consumed more whole foods, they had lower sugar and they also had more diversity and variety in their diet.

Hence, as a team we have come up with our first launch of these culturally inspired savory snack bars that only have 4 grams of sugar and three varieties are inspired by Incan, Ikarian and Indian cultures. And as part of this work our team really wanted to seize on the opportunity to learn more about cultures and food.

So we sent some of our team down to Bolivia where we source our quinoa from our quinoa farmers and not only to learn and to inspire us for future ideas, but also to check in on our solar panel power partnership. This is a partnership we have with the farmers to actually bring light to their homes, something they desperately need. So we will roll the video and we will take a look. Thank you. (video playing)

I should warn you it is very high altitude there, so anyone who has a propensity for altitude sickness please take note. We are really excited about bringing some new ingredients to the American diet.

While quinoa may well be the next quinoa, we think there are opportunities to bring new ingredients to the American diet -- just like Kashi did with whole grains. When you think about whole grains in the American diet you have to think about Kashi. We are looking at new grains, new ideas and one we are very excited about is teff, a grass from Ethiopia that is nutritious and gluten-free.

So middle of next year we are launching teff thins. These savory crackers are awesome. They have zero grams of sugar, and they deliver positive nutrition with very unique combinations of whole grains, legumes, roasted veggies and very aromatic herbs and spices. And we believe these are something that are new, better and different than are currently available in the marketplace.

So to sell in all of this exciting innovation we have got our own specialized and knowledgeable and focused sales team. That team has been formed with a good mix of past Kashi employees, some Kellogg employees and some totally new people to the business. So we are thrilled with the strength of our dedicated sales team.

And when Kashi was performing very well in the 2000s we used to have a unique level of partnership with all of our customers. Customers would travel out and spend time with us. And why do they do that? They really want to be ahead of the curve when it comes to food forwards. They want to build knowledge just like anybody else.

And what is very pleasing about our new office and our new team is already we've had a number of our customers come out and visit us in Solana Beach. And you've got to bear in mind that is when the weather is good throughout the recent summer. In winter we get a lot of visitors out to Solana Beach, it is no trouble at all.

And they spend a couple of days, it is not just a flyby for an hour. They will spend a couple of days with us talking about ingredients, talking about shopping habits, the food forwards. And this unique level of partnership is very special and we are going to take it to another level with this new team.

Bear Naked, our team loves this brand. We actually acquired this brand. Kashi Company sought out this brand from the owners, Kelly and Brendan. I called them up in 2006 and we finally completed the deal in 2007. So why did we do that?

Well, we could foresee the rise in granola, we could really see that coming. Secondly, we knew what the demographic that Millennials were going to want variety, you heard about that from the team this morning. And this brand we believe is perfectly positioned to seize the Millennial opportunity.

We are really bringing the bear back to Bear Naked with our team with delicious chunks of nature. The brand is poised for a very big year next year. We've got an innovative range of cereal and snacks that we are going to launch and customers are very excited about this brand.

When you think about customers, they are looking to win with the Millennial shopper both in terms of their stores with foot traffic, but also virtually they want to win. They want to win online with Millennials and so we get a lot of excitement for Bear Naked.

So what do we need to do? We need to bring more food, we need to bring more delicious chunks of nature. And the two launches we have which are actually shipping as well this mid December, great acceptance, cinnamon and sunflower butter and cacao and cashew butter. Once again nut butter driven but gluten-free, gluten-free. And these are our fast gluten-free items under Bear Naked. That is very incremental for this business.

I must say the cacao and cashew butter is an absolute hit within our office. We have actually got people hiding, hoarding this product. So if you can sample any we have got the Kashi Bear Naked team out in the back, it is incredibly popular food and we are thrilled to be able to bring that to the marketplace.

We also have a brand called Stretch Island. It actually pioneered in natural and organic stores the fruit leather within the United States. And we have acquired that brand because we could see the trend towards organic fruit snacks. And we are absolutely delighted to bring more organic fruit snacks to the market next year.

We have a plan to actually design new formats that are organic under the Stretch Island brand. And we've got samples out there of the new fruit strip as well which, once again, we think is a great improvement to the food. And so we are very well placed with our sales team and with the improvements we're making around the breadth of our organic fruit snacks range to really build this business in 2016.

So Kashi is well positioned to grow. We have an awesome team and the right operating model. We have really, really strong innovation and in fact our innovation pressure next year is over double that of this year. And as you have heard, we have a unique approach to marketing and sales.

The Kashi Company is open for business and we are absolutely excited and thrilled to pursue our sole purpose of powerful, uplifting foods through plant-based health in 2016 and beyond. Thank you very much.

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**Simon Burton** - *Kellogg Company - VP IR*

Okay, if I can ask about whole North America team to come up we will do just a few minutes of Q&A and then we will break for lunch in just a second.

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## QUESTIONS AND ANSWERS

**Unidentified Audience Member**

Thank you. This question is for Deanie. The 12-week Nielsen AOC plus C data, crackers, salty, cookies, volumes are down between 1.5% and 3%. Then when we look at wholesome snacks volumes are down 9%.

So your presentation, I mean you were very excited about everything, but I guess just the fundamental heart of the question here is, is there -- should we be optimistic that this franchise can actually grow in 2016? I mean your tagline was profitable growth. Should we be optimistic that this thing can grow in 2016 in light of the trends that we are seeing in the Nielsen data?

And as a related point, is your DSD system fundamentally capable of really matching up against the bigger Mondelez system, because they have made a number of points about their effectiveness and how it is improved?

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**Deanie Elsner** - *Kellogg Company - President U.S. Snacks*

Okay, so I will take the questions separately, so let's first talk about the categories and the trends. I think it is important to take a step back and take a look at the consumers we are trying to target. And what is happening today is we're seeing a migration of substantial consumer sets beginning to look outside of traditional retail.

And so, to the extent that in traditional retail we are not meeting the needs of those consumers we are going to lose. And the reason why the format evolution is so important is because we have got to get to those bundled pack/single pack offers as well as into new channels to capture those purchases. And so I remain optimistic.

You have got but Cheez-It brand that is up 4%, it is a $1 billion business. We have got plans on Club and Town House next year that will continue to transform that business and get the right formats into their hands.

And so, what we have today, and frankly for the last couple of years in terms of our trends, I think reflect more of a traditional grocery mind set versus an enlightened mind set of following the consumers to where they are. And I think the total business is what we are going to have to assess. That is the first point.

In terms of DSD, continually we will have to challenge the cost structure DSD brings to the forefront. But the realities today is DSD is a muscle that we have to use to compete against our number one competitor in cookie and crackers.

We will continue to find ways and challenge and push on better ways to drive effectiveness. And I am hoping that we can see results come through on that both Q4 this year as well as into next year.

And so for today, yes, DSD is the right muscle for us to have in the right channels. We will continue to look for other ways to get to market, whether it is warehouse or direct to the consumer. But DSD becomes our number one go-to-market delivery system for sure.

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**Unidentified Audience Member**

I guess I'll -- two questions. But first one, let's talk about Kashi a little bit. I mean I think that brand was really damaged over the years. And so, I am kind of -- I impressed with what you are putting out today.

But I guess are the consumers who used to flock to that brand, have they kind of dismissed it as being part of this big corporate entity and therefore they really don't trust the brand anymore regardless of what you put out? And I will follow up.

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**David Denholm** - *Kellogg Company - CEO Kashi Company*

So, in terms of Kashi our background has always been around progressive nutrition. And over recent years we have not had the level of progressive nutrition innovation in the marketplace.

What we are seeing with our innovation is a return to our brand from a lot of these holistics. And we are obviously very focused on ensuring that we are building the brand out in the natural channel where we have actually lost some business in recent years.

And what we have seen over the last six months is actually in SPINS Data, if you look at SPINS Data, the measure of natural channel, we are actually growing in the natural channel year on year. The data I showed before was ex AOC. If you look at SPINS in the natural channel, which obviously overindexes with holistics, etc., food forwards, we are actually growing.

So, yes, it will take some time. There was some a trust that was eroded, no doubt about that. But when we get back to doing what we are doing best, which is really leading the way, leading in very much the industry through progressive nutrition, we bring people back in.

And I think we have got the right targets in terms of a strong foundation this year and then we will get back to flat and then develop sustainable growth over time. But it will take some time.

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**Unidentified Audience Member**

Deanie, I want to get back to Dave Driscoll's question because you answered it in an unusual way. He asked you about wholesome snacks and what does it take to get back to growth and you went right into DSD.

Have you done the root cause analysis as to what happened in wholesome snacks, went through the product lines and determined are these truly meeting the consumer needs for wholesomeness? Or like from what I've seen that is coming out now there are some tweaks, but I'm wondering what you think about the innovation plan for next year. And have you put plans in place to change it further?

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**Deanie Elsner** - *Kellogg Company - President U.S. Snacks*

You are right, I did answer that DSD question based on total DSD and not wholesome. So I apologize about that. Wholesome is a category that Kellogg invented. And for a long time we were the innovation leaders in that category. We were over developed with one brand which was Special K that was focused on weight management.

And so, as the consumer shifted and shifted very quickly we didn't keep pace with that shift and we had to reformulate and repair that brand in that category.

I think when you look at the total category -- and I don't know the last time many of you have walked the wholesome category, it is chaos with the number of brands that come into that category. That category is shifting almost 20% a year in terms of brands and offers into the category.

And so you are right, no one brand can navigate that category and win across the board. What is going to have to happen in wholesome is going to require a total Kellogg win in terms of how we play the portfolio. And that category today from a customer standpoint and a consumer standpoint spans from Pop-Tarts and Rice Krispies all the way up to Bear Naked and Kashi. In the middle is where Nutri-Grain and Special K play.

What we have done is we've expanded some of our brands too far in the market structure. We have got to refocus them and play where they can win and then bring the other Kellogg brands to bear, so that when we go to our customers we have one voice in terms of how we're going to win in that category. And that is the challenge for the Company today.

In terms of have we really thought about what it is going to take to win, I accept the skepticism. When things are declining the first job always is fix what is there, stabilize what is there. But you are right, consumers are shifting and moving at the speed of light in terms of new food trends and new ingredient streams.

And so while we are fixing and transforming a brand to meet the needs of a wholesome consumer today appropriate to the brand, we are also looking at new ways to transform those brands. And that is something I was unable to talk about today given the focus of this discussion. How do you shift not just to the next year or two but how do you shift to the next three, four and five years out?

What David presented was spectacular and you almost have to chuckle to yourself thinking about bringing light to cultures who don't have it at night given some of the things that we're doing today in North America.

But as a portfolio Kashi for us in wholesome has to set the pace. And the brands have to follow as consumers adopt those ingredients. And so, our approach to wholesome going forward as a Company is going to be to better utilize our portfolio to meet the needs of those consumers and begin to think further out.

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**Unidentified Audience Member**

A question for Deanie about singleserve opportunity. And I guess it is a pretty significant opportunity. And I guess just one question related to that is, in terms of being able to manufacture pack sizes that are the requirement for those channels and also your route to market, however you plan to get there.

Do you have those capabilities internally to produce all those packs, different types of pack sizes? And also the internal capabilities to actually get to reach into those markets? Or is there going to be an investment required in order to sort of reach that goal?

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**Deanie Elsner** - *Kellogg Company - President U.S. Snacks*

I think when you look at singleserve you have got to navigate that space and that landscape, Brian, very carefully, because going into one area that a consumer is not going to go is ultimately financially damaging for the company.

And so, as we look at this we are putting a lot of time into how do you navigate the space, where are those consumers shopping, what are the expectations in terms of format, price and delivery in terms of food.

Our approach to this is going to be twofold. One, how do we utilize external co-manned resources to go after the immediate opportunities. As they hit critical mass how do we then think about repatriating that production and capacity back in to the network of Kellogg.

And so that is one area that we can get after pretty quickly and we feel good because we have got a track record for having done that very successfully.

Second is within our current infrastructure where do those lines exist where we can get to those pack sizes? And where, with some slight adjustments, can we begin to get a supply stream out to the retailer? And you are right, if we go down the path we're going to bring it in there will be an investment.

But the hope would be that when we get to that point we are going to have a line of site in proven points on the board in terms of what that volume is going to be in a sustainable long-term perspective.

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**Unidentified Audience Member**

Do you have the distribution to reach it as well?

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**Deanie Elsner** - *Kellogg Company - President U.S. Snacks*

Yes. Because I think as we approach distribution we are approaching it from twofold. We are approaching it from a warehouse standpoint as well as a DSD standpoint. And so, when you think singleserve don't think just singleserve buy, think about bundle packs where you can utilize singleserve. Bundle packs that are variety packs that lever our portfolio.

So, yes, I believe we have got the go-to-market infrastructure that is going to enable us to get after this across multiple channels both in terms of individual singleserve consumption as well as multi-packs that bundle singleserve together. Yes.

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**David Denholm** - *Kellogg Company - CEO Kashi Company*

One capital investment that is underway in Pringles, part of our growth wrinkles have invested in capacity for small format. And that is coming on stream in the next year. So to Deanie's point we will use co-manufacturing but we've placed some bets already in Pringles for the US business and obviously also for broader businesses across Latin America as well.

So, some of it is capital and it is already in our plan to unlock the potential. I anticipate we will be investing more to really get after that potentially in the next two, three years.

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**Simon Burton** - *Kellogg Company - VP IR*

We will wrap up there. We have got lunch now which is next door. The booths will be open as well during lunch. If you guys want to go over and have a look around there that would be great. We will meet back here right at 1:00 sharp if we can and we will start the afternoon with the International guys. Thanks.

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## PRESENTATION

**Simon Burton** - *Kellogg Company - VP IR*

All right, everyone. We're going to start this afternoon -- it's international presentations, so we're going to start with Kellogg Europe and Chris Hood; we're going to follow with Amit Banati and Kellogg Asia Pacific; and we will finish with Maria Fernanda Mejia with Kellogg Latin America. Then John will end with a brief summary.

So, without any further ado, here's Chris Hood.

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**Chris Hood** - *Kellogg Company - President Kellogg Europe*

Good afternoon, everyone. I want to thank Simon for giving me the afternoon slot after lunch, especially right around my bedtime; so thanks for that, Simon. The good news is that you've got Amit coming up next, and he's just waking up.

So look, I'm here to share with you our story about Europe and why we feel optimistic about our growth prospects in Europe. I've got about 20 minutes, and I'm going to talk about 70 countries and two categories and about 30 brands in 20 minutes. So hopefully I will be able in that 20 minutes to give you a sense of how optimistic we feel about the prospects that we have for growth as the Kellogg Company in Europe.

In Europe, we have been on a transformational journey over the past three years, really starting with the Pringles acquisition. Where we had a model prior to that that was primarily a single-category model, concentrated in what we think of as Western Europe; and today we have a business model which is two categories concentrated across the entire European geography, including the Middle East as well as Russia. So a much broader geographic footprint and two categories, so I'm going to give you a sense for that today.

As a reminder, our European business is about $2.9 billion in sales. At least it was in 2014; we've had some currency movement since then. Within that our snacks business represents about 40% and our cereal business represents about 60% of that.

Now, emerging markets represent about 20% of that. These are high-growth businesses for us, double-digit. When you think of emerging markets within our European portfolio, think Russia and what we call Arabia, which is all the Arabic-speaking countries in the Gulf as well as North Africa. Okay? So fast-growing emerging markets; and then the developed geographies still about 80%.

I am extraordinarily fortunate to have a very diverse leadership team that's drawn not only from many countries that represent the consumers and the markets that we serve, but also to have a really nice mix of legacy Kellogg employees with long-standing experience with the Company, and also some great talent that's come from outside, from many of the leaders in our industry, in the food industry and beyond, across the European business. All dedicated, all committed to getting our European business back to growth, and that's what we're going to talk about.

In Kellogg Europe, when you think about the European Kellogg unit, if you will, there's about 1.2 billion consumers within that geography. Today we only serve about 400 million of those consumers with Kellogg products, so we have a massive opportunity for growth by driving penetration in areas where we're not serving those consumers with our brands today.

We operate two categories, as I said -- cereal and snacks -- and six country clusters. We've clustered our countries together in order to enable more scale, if you will, while still retaining the responsiveness of being close to the markets.

Emerging markets has been a big focus for us for the past several years. When you look at the growth that we've seen in our emerging markets since 2000 until now, it has been absolutely transformational: from about $60 million in 2000 to $450 million today.

And our plan, as I'll show you, is to triple our Arabian business and double our Russian business over the next five years, so we expect this to be a big engine for growth. We operate about 30 brands across the European business, and it's obviously a great portfolio.

Indexing back to Ron's discussion this morning, from a European standpoint we expect to deliver low-single-digit net sales growth. How do we get there?

We get there by delivering low-single-digit growth in our developed markets -- the UK, France, and places like that; and high-single-digit growth in our emerging markets -- this is Arabia and Russia. Low-single-digit growth in our developed cereal categories. And mid-single-digit growth in snacks; and snacks for us is Pringles as well as our wholesome snacking portfolio.

We've done a great job on financial management on this business over the past couple years behind some extraordinary discipline. We've grown gross profit margins significantly, and our operating profit margins have gone up 250 basis points since 2012. So really, really strong progress on operating profit margin that's driven by both the gross margin progress as well as very strong overhead discipline and some of the Project K savings flowing to the bottom line.

So we've got a great economic structure. The challenge for us going forward is making sure that we have great growth plans in place. That's what we're all about right now, is really leveraging the strong economic structure that we've built to drive very profitable growth for the Company.

Our growth strategy for Europe, no surprise; we've talked about these four boxes this morning: win in breakfast, be a global snacking powerhouse, create an emerging market growth engine, and win where the shopper shops.

Winning in breakfast for us is about winning brands, winning geographies, and making sure that we're participating in growing segments. Global snacking powerhouse as I said in Europe is primarily Pringles and wholesome snacks. Emerging market, Russia and Arabia.

And then winning where the shopper shops for us is all about really winning with winning customers, making sure that we have great ecommerce plans, and I'll talk a little bit about that in a minute. And then also making sure that we have plans to really activate our brands and our businesses all the way down into very small outlets like this kiosk that you see on the left-hand side, which is from our Russian market, or the high-frequency store that you see on the right-hand side.

Winning in breakfast for us really has to start with stabilizing our UK business. When you look at our UK business, we've had a tough couple of years on cereal. We've got great plans, which I'll talk to you about in a minute, and we expect sequential improvement in 2016.

But it's been a very tough operating environment, and frankly we have underperformed even in that operating environment. I'll talk a little about that.

Developing our business in Arabia and Russia on cereal is all about developing or creating a role for cereal within the context of the breakfast table in these markets. We have great plans to do that going forward over the next five years. We've got a test that we run in Bahrain this year that we'll be expanding into next year that really gets after how to develop the cereal category in geographies, especially in the Middle East, where cereal has not been a fundamental part of their breakfast portfolio in the morning. So we're focused on that.

Expanding consumption occasions outside of breakfast, we talked a bit about that this morning. We have a range of cereal consumption outside of breakfast this morning -- in the morning: 20% in the UK, 40% in Germany. So this is a massive opportunity for us, a huge opportunity, and really we need to get after creating that occasion in breakfast.

Global snacking, growing Pringles, this is a great story. For those of you who were at CAGNY or at Back-to-School, you've heard me talk about it. This is a business that over the last 10 years has doubled its size in Europe. It's growing at a double-digit growth rate this year.

The CAGR since we bought the business in Europe has been between 7% and 9%, so it's an absolutely phenomenal story. And as far as we can see into the future, we have great continuing growth prospects for this business, and I'll talk a bit about that as well.

Then developing our wholesome snacks business, this is a business that has primarily been focused on what we call cereal and milk bars. These are breakfast bars, if you will, that are made from cereal, coming off our lines with usually some yogurt coating on them. They are the Squares bars, which are the Rice Krispies Treats, and Special K bars.

Honestly, this business has underperformed over the past couple years primarily because we have a big hole in our portfolio, which we're going to be addressing in 2016. I'll come on and talk about that in a minute.

Emerging market growth: tripling Arabia, doubling Russia. Big, big opportunities for growth, and we'll talk about that.

Then winning where the shopper shops, we've talked about each of these three things. The one thing that I would say is that on ecommerce already today we have a $100 million business in ecommerce in the UK, and it's growing at double digits. So huge, rapidly growing ecommerce business; we're overdeveloped in that channel relative to our competitor set, and we're going to really push the accelerator on this one as we go forward.

Winning in breakfast for us is really about two things: stabilizing our core, which I'll talk about in a minute; but then also really doubling down against our growing brands, which are primarily the taste brands in our portfolio; doubling down on growing segments, so muesli and granola and hot porridges; and then growing geographies, which are primarily our developing geographies.

When we think about growing brands, the two that we've highlighted here, Krave and Extra, these are brands that are growing at double-digit rates this year. They are growing share, and everywhere that we launch them in Europe they've achieved incredible success. So we've got a couple of great examples here of places where we're going to be investing for growth in the future.

Growing segments: muesli, granola, hot cereal. What you see on the top there with the Kellogg's label on it is a granola that we launched in Germany last year. The cereal market in Germany is 50% muesli and granola. So 50% muesli and granola; it's a place that we have not historically played. Last year we launched a range of mueslis and granolas that are performing very, very well in the German market, and our plan is to expand them into the Nordics this coming year and some of the other geographies in Europe.

We've also entered porridges with the Special K Super Porridge that you see here, as well as a Coco Pops chocolate porridge which is delicious, and a Crunchy Nut porridge as well. We're playing with all three of those in the UK, where there is a very highly developed porridge segment.

And then growing geographies: again, Russia and the Middle East, where we've got favorable demographics; relatively low category development, so an opportunity to develop the category. And we're making great progress there, both of these geographical businesses growing at double-digit rates.

So that's the first part. The second part is really about stabilizing our core business. I think when we talk about stabilizing our core business in Europe, we talk about Special K and we talk about the UK. Both of them are very interrelated, because 50% of our decline in the UK has been related to Special K.

Frankly, Special K has had a very tough year in 2015. I would say the brand remains in transition from a diet-positioned brand to a brand that is really about eating right so that you can feel great. I would say we're probably about six months behind the US relative to revitalizing that business.

But we're seeing some great signs and we have very strong plans, building on the learnings that we've gotten from the US success story that we'll be incorporating in 2016. So we're expecting sequential improvement in 2016 on Special K. Maybe not all the way back to growth, but we believe with the growth in the balance of the portfolio that we can get this business back to growth in total across the cereal portfolio next year.

We've got new positioning, new innovation, and strengthened promotions coming. Again building on the lessons learned from the US, we will be upgrading the Red Berries variant similar to the US plan and we'll be launching the Nourish product that you saw this morning in Craig's presentation as well.

In fact, we'll be launching that in Q1, so we're quite excited about that. It's a delicious food. Hopefully you've all had a chance to try it during the breaks.

In the UK I would characterize it as a very tough operating environment. This is an environment where you've got four large retailers, discounters playing, price deflation happening, and in the food business about 2 points of price deflation happening across the board. So it's been a very, very challenging place for us to operate.

And frankly on our cereal business for the past couple of years we have not been winning. We have taken that plan apart this year and really taken a hard look at what's working and what's not working. We are planning for an improved performance in 2016 -- and I'll share that with you in a minute -- behind innovation as well as stronger consumer and customer plans. And we think that we can get this business back to stability in 2016.

When you look at our innovation plans in Europe, this is just the first half, so just to give you a sense for what we've got coming on cereal in Europe in 2016, in the upper left we're launching Ancient Legends; so Ancient Grains granola and muesli. We've got the Special K Nourish product which we talked about, which is flakes, clusters, and seeds. We're doing the Special K Red Berries renovation, as we've already talked about.

We've got a great partnership with Disney on Frozen and Star Wars which has really been a huge engine for us this year. It's done phenomenally well, especially in the UK.

Last year we ran a very successful activation on the Avengers movie in the US. We're going to appropriate that and do that next year in Europe as well.

Then we have three big activation focus areas for the year. One is on the personalized spoons promotion which we did in Q1 last year. The idea here is that a consumer can redeem purchases of Kellogg cereals to get a personalized spoon with their name etched on it. It's been a very, very successful promotion for us.

We've got a free play ball, so back to fun in the box: a free play ball for the spring soccer season. Then for Special K a fitband offer for purchases of Special K. These are big tentpole activation focus areas for us.

Growing Pringles, this is again a great business. Really it's about four key areas, very similar to what Deanie talked about this morning.

The first one is strengthening the core. Two examples that we have on here: the first is the summer focus. For those of you who had an opportunity to visit the European booth out here, you'll have seen the karaoke can with the speaker on the bottom and the microphone on the top. This is the promotion that we ran this year, and actually we got huge activation behind it both with consumers and customers; enormously successful.

The great thing about this model is we have run some similar type of promotion in the summertime for Pringles to own the summer for the last six years. Something very similar. The plays have changed a little bit, but not a lot. It's always been about something to do with the can, a speaker on the can, a microphone on the can; and it's always been about summer music festivals or outdoor parties.

And every year it's gotten bigger. So every single year for six years we've done a better job in the summertime behind this focus.

Movie night in. This is really about leveraging the fact that people get together to watch movies in. We want to be the snack that they choose to serve for that occasion. So if you buy two cans of Pringles you can get a free download from Twentieth Century Fox, a free movie download.

We also do a great job on strengthening the core with local flavors. For those of you who have had an opportunity to visit the European booth, again you'll see there are some very interesting flavors there.

Crab flavor, which is a flavor that may not sound that appealing to the American palate, but for the Russians is actually a very appealing flavor. Steak flavor for the UK, where meat flavors are really, really big. So we have a rotational flavor program that we also use to drive core strength on Pringles. It's been very successful for us over time.

The second platform or the second strategic plank is really about new occasions. Two areas under this, one is tortilla chips. We've launched tortilla this year in both the UK and in Germany, and it is absolutely flying. Very, very successful.

We're very satisfied with how it's doing, and we have a plan this year to roll that out over a number of other markets in Europe, and then a plan in the third year to even further roll it out geographically. So lots of opportunity on tortilla.

Then on Xtra, this is a subline that we've had on Pringles. It's a full-on taste experience, and we partnered with Xbox to deliver for these consumers an Xbox promotion on purchases of Xtra. So great new occasions.

Geographic expansion for Pringles. This is a big global brand, 140 countries it's available in. You wouldn't think that it had a lot of global opportunity left for it, but it does.

Just a couple of examples. In Europe, in Central Europe, the presence on Pringles is still very, very low. In Egypt, where we've entered with two acquisitions, there's really very low presence on Pringles, and 83 million consumers that we can serve with the Pringles proposition there.

So lots of additional geographic expansion opportunities for the Pringles business. That's why we believe that the flywheel, the momentum that we've had on this business for the past few years can be sustained behind strengthening the core, behind continuing product innovation to enter new occasions, and by expanding geographically and getting the right lineup in place to continue channel expansion.

This is really about getting small sizes. You've heard us talk about small sizes this morning. In Europe historically we've been capacity constrained on small size.

We've had one line that we could run small size on. We've made an investment. We're going to be building some new small-size capacity, and that line is already sold out. So we are selling every single can that we can make on Pringles today, and we've made significant investments in new capacity.

So this business is absolutely on fire. We're driving it behind these four key planks. And we believe that for the next five to 10 years we've got a very sustainable growth path with high-single-digit growth.

We're making some changes in our portfolio in the wholesome snacks category. Hopefully you've had a chance to stop by, again, the European booth and try some of these new bars.

What you see on the upper left is Kellogg master brand, but what we're doing is entering with some really great new foods: a nutty chewy bar and a five-grain muesli bar which are designed to go after the big eat occasion for snacking in the middle of the day or the extension of breakfast. They're delicious, they are nutritious, and they are convenient food forms for our consumers. We'll be introducing these in the first quarter under the Kellogg name in the UK and under the EXTRA brand in France.

We've also significantly invested in upgrading our Special K bars this year. That's what you see in this picture here is the Red Berries bar, where we delivered a significant win behind a renovation program that we put in place in the summer, and that business is responding.

Then we've also done a lot of work on driving into new pack formats to get these businesses down into channel opportunities that we couldn't access before with large pack formats, getting down into singles and smaller counts so that we can play in impulse channels, convenience channels, and places that we couldn't play before.

Unlocking our growth in emerging markets: the Arabian Peninsula, North Africa, and Russia. The Arabian Peninsula is a fantastic opportunity for us. These are -- the demographics are in our favor here; there's a lot of consumers in this region. Most of -- when you look at the demographics you've got 50% of the population under the age of 25; very fast-growing consumption in our categories; premiumization of the category, so people moving from bulk forms to package forms.

And we are very fortunate in that we have purchased the leading brand in the biscuit category, Bisco Misr, and the leading brand in the cereal category in Egypt, which is a company called Mass Food which operates a brand called Temmy's. So we feel we are very well positioned now in Arabia to take these two businesses and expand them across the broader region in North Africa, but also to use that business as a platform to bring Pringles into Egypt and to provide the scale for us to expand the balance of the Kellogg portfolio.

In Russia, where we've got a huge population, we believe that it's a very interesting environment to operate in, in Russia right now. A deflationary ruble, weak economy, and in that context we have managed to grow our business this year double digits. Local currency, obviously, local currency basis; but we've managed to grow our business at double digits.

How have we done that? Well, we've done that because we happen to have in the context of the current operating environment an advantaged brand portfolio. We have a local brand, a brand called Lyubyatovo, that is locally produced. It literally means the goodness of Russian fields.

That brand has been growing. It spans both cereals and biscuits, and that brand has been growing at double digits this year as the Russians have turned inwards, if you will, towards more Russian-brand consumption.

We also happen to have a great Pringles business in Russia, which over the past 10 to 15 years has been absolutely on a tear. Fabulous business; it's been growing at double digits.

We've had a little bit of a reset this year because we've had to take pricing in order to offset some of the currency devaluation. But the long-term prospects for growth on Pringles in Russia continue to be absolutely outstanding.

Just a couple of words on the two acquisitions that we've made. Again, Bisco Misr, this is a business that you'll recall we announced this acquisition in the first quarter of the year. This is the biscuit leader in Egypt. It's about a $70 million business, very strong brands and products.

We view this as a platform for expansion, not just within Egypt, across the portfolio, but across the broader Arabian region, and we've got plans to do that in 2016. The integration is on track, we like what we see, and things are going well.

Mass Food, this is an acquisition that we've announced since we were together at Back-to-School. This is the leading cereal player in Egypt, and they have a share that is about two-thirds of the marketplace, so very, very strong share. It's a small market, about a $30 million market; so this business is about $20 million.

What this gives us is a very high-quality cereal business that we can use to begin to further develop the cereal business within Egypt, but also across the broader region. Great brands, great manufacturing platform, and an opportunity to expand the business across the region, so very exciting for us.

That's where we are on Europe. We are focused on achieving our growth potential.

We've got great opportunity in emerging markets. We've got a Pringles business that is absolutely flying. Very strong plans on wholesome snacks to return that business to growth next year, and plans to stabilize our cereal business across Europe and to hold or grow share across the majority of markets where we compete.

We are activating those emerging-market growth engines, and we're planning to win broadly across the region. And obviously we are committed to profitable growth. We've done a great job, as I said earlier, in driving strong economic structure.

The mission, if you will, for me and for my organization as we look forward is to really begin to deliver low-single-digit growth. When we do that, the economics of this business will be absolutely phenomenal.

So thank you very much. I'm going to turn it over to Amit, who's going to take you through the Asia Pacific plans.

**Amit Banati** - *Kellogg Company - President Asia Pacific*

Thanks, Chris. Good afternoon, everyone.

Asia Pacific is an exciting growth opportunity for the Kellogg Company. The region is home to over 4 billion consumers and includes the large emerging markets of China, India, Southeast Asia, and sub-Saharan Africa.

The region accounts for almost 30% of global GDP, yet currently it accounts for only 7% of total Kellogg Company. The growing middle class, rapid urbanization, increasing demand for convenient foods, the growth in snacking and on-the-go consumption will underpin continued growth in the region.

The region accounts for almost 70% of the global numeric retail universe across multiple formats, from the small mom-and-pop stores, to big supers and hypers, to a rapidly growing ecommerce channel. Winning across the formats with the right offer at the right price point will be critical to drive growth.

We are transforming the region in Asia Pacific. We have strong leadership in place. Our portfolio is more balanced both geographically as well as from a category standpoint.

Emerging markets and snacks are driving strong growth. We're very excited with the strategy and plans that we've put in place and are confident that we are set to accelerate growth.

Over the past three years we've built a strong and diverse leadership team with leaders who have deep operating experience in the Asia Pacific business. Every single business of ours is led by a local leader who has intimate knowledge of their consumers and customers.

We are transforming the shape of the region. With the recent acquisition in Nigeria, in 2016 on a pro forma basis including the underlying JV sales, Asia and Africa will account for 80% of the region's sales, up from 50% in 2011. Snacks will account for about 21% of the region's sales, up from about 8% in 2011.

We are accelerating growth. Emerging markets and snacks are driving the growth. Emerging markets and snacks are growing double-digit this year.

As we look forward we see tremendous growth potential in the region, as we bring to life the global strategy across all the pillars in the region. We are confident that we will accelerate growth from low-single-digits to mid- to high-single-digits.

Our growth drivers and building blocks are: stabilizing ANZ; doubling our snacks business; doubling our Asian cereal business; and within that, tripling our business in India and scaling up our business in Africa. I'm going to spend some time now walking through each of these building blocks.

Let's start with ANZ. As you know, we've had some challenging headwinds in the cereal category in Australia over the past two years that has negatively impacted our performance. Our goal going forward is to first stabilize the business in ANZ. Similar to the other developed markets, we have an aggressive program of renovation of our core foods, launching on-trend foods, and driving commercial and packaging innovation.

Just recently, we've renovated Nutri-Grain, which is our largest brand in Australia, with more fiber and less sodium and sugar; but importantly, with the same great taste that consumers love. Initial reactions have been very positive, and we are confident that we will stabilize the brand on the back of the renovation.

We are also launching on-trend foods and entering into granolas, mueslis, gluten-free and the natural segments, leveraging the global innovation pipeline from other markets. Over the past couple of years, we have rationalized our supply chain under Project K and rightsized the organization to protect margins as well as to invest back both in the foods and the brands.

We've been seeing strong growth on Pringles since the acquisition. Pringles has been growing mid- to high-single-digits in the region. We believe we can accelerate the growth on Pringles to double-digit in the next five years.

We are also excited with the opportunity to create a wholesome snacks business across the emerging markets in Asia and Africa. Overall, we think we can double our snacks business in the next five years.

On Pringles, similar to what Chris talked, we have a number of growth drivers. Strengthening the brand behind commercial innovation: in 2015 we stole with pride the European music activation, and we've activated that across the region with great results. We look to make it bigger and better in the years to come.

Renovating both the cold food, as well as having a flavor bank relevant for the consumers in the region, and investing in brand building. There is a significant opportunity to drive the brand by expanding consumption with new foods, so we will launch tortilla next year across the region, and also playing in snacking price points.

Pringles is available in about 400,000 stores in the region. The snacking universe in the region is 8 million stores. So there is a significant whitespace opportunity for Pringles in the region, primarily in emerging markets of India, China, Africa, and Southeast Asia; and we have aggressive plans in place to drive penetration of Pringles across the region.

A couple of years ago we launched a small can. The intent was to access the right price point and drive penetration in convenience channels. We're seeing strong traction behind the small cans.

I wanted to share with you a piece of advertising that we ran in Thailand to launch the small can. Run the ad, please. (video playing) So we launched this; this is been in market for about 18 months. It's already 15% of the brand, and we believe there's a lot of headroom to drive this size across the region. We are also looking at other packaging options to continue to drive penetration on Pringles.

Let's turn now to the next growth driver, which is our emerging markets cereal business. We are seeing strong double-digit growth in our emerging markets cereal businesses across the region. As leaders, we are creating the category and have distilled our learnings into a 10-step category development model.

Elements of this include: leveraging the Kellogg master brand; driving and investing in in-store sampling; driving our partnerships with milk; and having, as you can see, a full range of packs and sizes to enable penetration of the category. We are taking this category development model across all our emerging markets.

We believe we can double the size of our Asian cereal business in the next five years. There are significant penetration and consumption opportunities in Japan and Korea. Our business in Japan is growing double-digit, behind the launch of granola, which is now almost 60% of the category in Japan.

Southeast Asia is another important emerging market for us, with over 500 million consumers. In Southeast Asia, we're going to drive growth through investing in the category development model and behind the Kellogg master brand.

With the Pringles acquisition, we have almost tripled our business in Southeast Asia and the scale has allowed us to access and partner with best-in-class distributors. We are confident going forward that we will be able to drive double-digit growth in this market. We are also actively exploring M&A opportunities to enable us to scale up in this market.

Let's turn now to China. As you are aware we have a joint venture with Wilmar in China that has been operational for three years. We're making -- the partnership is working well. We are focused on creating the cereal category and are making good progress.

Over the last couple of years we have gained 10 share points, and just last month got market leadership in cereal in China. Of course, the category is still very small, and we are optimistic that we will be able to drive the category in the coming years.





THOMSON REUTERS

Penetration is 3% in China. When you compare that with a 22% penetration in urban India, or a 35% in Japan, or a 45% in Korea, we are optimistic about the size of the opportunity in China. With the growth of ecommerce, we believe we have an opportunity to scale up the category much faster and in a much more effective way.

Let me now share with you a piece of communication that we are running in China to establish the category and to establish the Kellogg brand. If you could run the advertising, please. (video playing)

Let's now turn to our business in India. As you are aware, we've been driving strong double-digit growth in our Indian business for a number of years. We think we can triple our Indian business over the next five years.

We are investing significantly in this business. Earlier this year we opened our second plant in Southern India to supply the demand in the market. We've also just recently opened an emerging markets breakfast R&D center in India.

Our RTEC business, our cereal business has been growing double-digits behind the Kellogg master brand, Corn Flakes, and Chocos, our three largest brands in India. We expect to continue to drive double-digit growth.

We've also entered the hot breakfast segment in India with the launch of savory oats. We're seeing strong growth behind the launch as it plays a lot closer to the Indian breakfast codes of savory, hot, and soft. We would like to leverage the R&D center that we've just opened in India to drive a much broader breakfast offering and offer more culturally relevant foods, not just in India but across emerging markets.

We continue to drive distribution in India. In the last five years, we've doubled our coverage from 200,000 to 400,000 outlets in India and expect to double it again in the next five years to around 800,000 outlets. We are investing significantly in capabilities and capacity in India.

I wanted to share with you a piece of communication that we are running in India. This is on a brand -- this is on Corn Flakes where we are activating the brand on a platform of versatility. If you could run the advertising. (video playing)

We also have a very successful online version of the campaign which is actually now a leading food channel in India, where we've got a number of recipes and a number of online videos. So that's working really well.

Okay, now let's move to the final building block which is scaling up Africa. Sub-Saharan Africa is a rapidly growing emerging markets with over 1 billion consumers. As you know, we've had a long-standing presence in South Africa. We'd like to leverage that to drive growth within the emerging market consumers within South Africa, but also into the neighboring markets in Southern Africa, into Central and East Africa.

We have put in place a team with deep operating experience in Africa. They are working. They are going to drive the category development model and establish distributor partnerships to drive double-digit growth in these markets.

As you know, we just announced a partnership in Nigeria which gives us an entry into Nigeria and a platform to expand in West Africa. The Tolaram Group is the third-largest food company in Nigeria. It's the largest packaged breakfast business and the fastest-growing food company in Nigeria.

This business has been built over the last 15 years and has delivered exceptional performance. It's about a $700 million business with strong double-digit growth and best-in-class double-digit margins.

The business has two operations. Dufil Prima -- so Dufil Prima manufactures and markets Indomie noodles, Minimie noodles and snacks, and Power Oil. It has around 11 manufacturing facilities, is backwardly integrated, manufacturers flour and packaging, which allows it to control and drive profitability. So Dufil Prima is one operation.

It has a second operation, which is Multipro, which is really a sales and distribution arm. Multipro has about 1,000 distributors and around 25,000 subdistributors, 20 warehouses across the country, and is really a powerhouse in distribution, which in Nigeria is a critical success factor.

Indomie is the number-one brand from a BEI, brand equity index, standpoint, across the food industry in Nigeria. It's also the most-distributed brand in the country.

The scope of our partnership: so we've acquired a 50% stake in Multipro, which is the distribution business. The 2015 estimated sales of Multipro is around $700 million. We've also got an option to purchase a stake in Tolaram Africa Foods, which in turn owns 49% of Dufil Prima.

The purchase: the acquisition price was about $450 million, which translates to a 13 multiple of 2015 expected EBITDA. On the back of this, we'll be creating a 50-50 joint venture with the Tolaram Group to develop our snacks and breakfast business in Nigeria and West Africa. The scope of the JV also includes noodles in the rest of Africa.

We expect to create a $100 million business in West Africa over the next five years. We are investing significantly across the region to enable this growth.

In 2015, we started up four new manufacturing facilities in the region. Pringles, we started up a greenfield facility in Malaysia to manufacture Pringles and supply Pringles across the region. As I mentioned earlier, we started a new cereal factory in India. We started a new wholesome snacks facility in Thailand that services the Australian market, but will also allow us to expand wholesome snacks across the region. And finally we started a new Pringles facility in the China joint venture.

We've invested in two R&D centers: the emerging markets R&D center in India, and in our snacks R&D center in Singapore. And we're investing significantly in talent and capability.

In summary, we are transforming the region. We're very excited with the growth potential that exists in the region. We're very excited by the strategies that we are putting in place, which we believe will accelerate our growth from a low-single-digit to a mid- to high-single-digit growth rates in the years to come.

We are scaling up our snacks, Asia, and Africa businesses, leading to a more balanced and a more growth-oriented portfolio. As we scale up, we believe we will be able to drive margins, as Ron mentioned earlier, in the range of 100 to 150 basis points over the next five years and drive profitable growth across the region.

Thank you. I am going to now hand you over to Maria Fernanda to talk Latin America.

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**Maria Fernanda Mejia** - *Kellogg Company - President Kellogg Latin America*

Thank you. Good afternoon. Three years ago when we met in this same hotel, many of us, I had just started at the Kellogg Company, with the responsibility of leading our Latin America business. This is the team that I inherited, many of which have grown and taken on new and expansive responsibilities in the region, and where we've also made some selective hires, such as Dennis Palma leading up our Customer Development team.

They believe, like I believe, that Latin America continues to pose a present and really exciting future growth opportunity for us at the Kellogg Company. Despite the slowing of some of the economies in the region, our categories and segments continue to grow.

We have a consumer base of about 600 million consumers plus, average age 24. So if there is a land of Millenials, it is in Latin America.

Consumers are extremely brand loyal because we are region of great aspirations. Over the last 50, 60 years that we've been in the region, Kellogg's has established a huge moat of advantage with the Kellogg brand.

However, those brand-loyal consumers are also very much focused on ensuring they have the best value proposition, given some of the economic challenges well known in our region. With these young Millennial consumers, the expansion of the middle class driven by more women in the workforce has driven the need for convenience.

Years ago, when I would go back to Colombia for my summer holiday or Christmas, it was almost unheard of to see people munching, snacking, or eating on the streets, on a bus. Today, it's quite common. Those young people, that expansion of the middle class, has really led the region to require new products and solutions for on-the-go and to fuel for greater mobility.

The other thing that has characterized our region, there seems to be sometimes a myth that Latin American shoppers only shop in one, maybe two, retail environments. The reality is we shop anywhere from three to five retail environments.

Therefore the journey that we have been on, which I'll share with you, and the positive results we've seen in the region tell us that the strategy that we're on for the future is the right one. We have a soft footprint in the region. We've been in the region well over 60 years.

We have two single geographical business units, Mexico and Venezuela. And we've reorganized Central America and the Caribbean into one CariCam business unit for greater scale and speed and enhancement to market.

We also created the Andean region over the last three years, based in Colombia, servicing Ecuador, Bolivia, and Peru; and established a good presence in Mercosur with a focus on our Brazilian business. The acquisition of the Pringles brand took us from a basic incipient snacks mix in our portfolio to today one that, while it has still great opportunity to grow, is more significant for us in the region.

We have strong, powerful, expandable brands. Over the last three years we have focused on those core brands for geographic and category and segment expansion. The other notable brand that we've introduced, believe it or not, is the Kellogg not parent brand, and we'll talked where we've taken that in both cereal and snacks.

It is those strong brands that make us the undisputable leader in the cereal category, have given us a more significant share of presence in wholesome snacks. And the obvious acquisition of Pringles gives us great, great growth potential with barely over a 1 point share in salty snacks. A reminder that the salty/savory snacks categories are some of the largest ones in the region and some of the largest food, if not one of the largest snacking food, categories in Brazil.

When we look at our wholesome business, we entered Brazil in mid to late 2013, and we already have almost a 4% share of the market; and recent share results put us already over 4%. That came with the introduction of our kids agglomerated bars; and as we speak we're rolling out our master Kellogg parent brand bars, cereal bars; we'll be launching filled bars as well as nut bars in the Brazilian market.

In Colombia, where we reentered the market in 2012, already reaching a 12% share of market in that country by growing our Special K kids brands as well as the introduction of the Kellogg master brand. So we continue to accelerate our growth in 2015 behind many of these initiatives and more that I will share with you coming up, as we take a closer look at our Latin America strategy.

We have been focused on six key pillars: leading category growth and expansion of our segments and markets; winning where the shopper shops, with a razor-sharp focus on high-frequency stores, which I'll share with you later; making our supply chain work harder for us, more efficient and effective; increasing asset utilization and plant capacity of our assets, particularly the four strategically located Mexico plants; improving our margin; and building -- much like you've heard all morning -- a winning organization.

What have we been doing for the last three years since we met? We created a true regional organization based on a category model: breakfast and snacks. Not only did we have a very small business, we didn't have a snack strategy nor an organization. Through the acquisition of Pringles, led by Nicolas Amaya, we were able to create that snacks organization, a very focused strategy, which is delivering for us.

We've also been very focused on doing bigger, fewer initiatives of pan-regional scale, much more efficiently and effectively then perhaps we've done in the past. Optimizing that supply chain has been key, and getting that supply chain network to deliver not just large boxes of cereal but ensuring we have the right portfolio for all the retail environments, particularly those that make up high-frequency stores, so that we can be accessible to those 600 million consumers -- 60% of those who are low income, and 80% or more percent of our category is going through those high-frequency stores. So a great job by the supply chain, getting us in cereal and in snacks a more relevant portfolio.

We talked about the investment behind those fewer, focused power brands. We created a pan-regional innovation group based in Mexico. We expanded the resources in our research and development center in Mexico to now also take on snacks, food development, and packaging.

And very importantly, across the region we have rebuilt our go-to-market strategy. We were very strong in large cereal boxes with modern it trade key retailers and particularly with our kids brands. Today, we've redesigned the route to market, setting the service line to deliver the lowest total delivered cost and to follow the product flow, where we go direct and where we go indirect through distributors and wholesalers.

We launched shopper marketing and created a very important shopper marketing strategy and organization to not just focus on the consumption part of our consumer model, but also on the purchase portion or component of our consumer model. We have elevated our channel and retail environment focus and strategies, and today we can say we have the right portfolio at the right price in the right placement with the right promotion with the right communication for those retail outlets.

Importantly, where we command strong positions with our key customers across the region, key account customers, elevating our customer engagement by moving to multifunctional teams and driving much longer and stronger joint business plans. Of course, where I spent an enormous about of my time, strengthen the organization and building even stronger Kellogg leaders.

Our strategy has been and will continue to be anchored in six very important trends. Whether you're in food or nonfood, across all fast-moving consumer goods the low-income consumer is what's driving volume growth in our emerging markets.

While we're very young, we are maturing; we're aging. And again, that rise of the middle class has driven -- if you drive through Sao Paulo or Mexico City or Bogota, the rise of urbanization causing a lot of traffic, a lot of logistical issues, but a great need for convenience. And that's where I think we have a great role to play.

Eco-friendly and healthy is not just a European or a developed-world phenomena. Our consumers are becoming as discerning in this area as they are in some of the developed markets, looking very carefully at products that provide them the best health and wellness, and looking very carefully at companies who are socially responsible in the marketplace.

Women in our region still make the bulk of all consumption and purchase decisions. And for us in Latin America the shopping experience, whether it's in a large hyper-supermarket or in any retail environment of high-frequency stores, it is a pleasure to shop. It's a place where you go with your family and where you're also influenced by some of these family members and friends when making the purchase decision.

Like we see in the rest of the world, in Brazil today there are more mobile phones than land lines. Moving toward a digital, connected, more mobile communication platform is going to be key, particularly in our emerging regions.

So, how are we bringing that strategy? How are we taking those trends, building them in our product solutions, and in our go-to-market strategies?

We'll begin with win in breakfast. Much like Amit showed, we're also following the category development model, focused on four key areas: category relevance; driving adult consumption which, quite frankly we're still underindexed. Our portfolio tends to skew children; with the launch of the Kellogg master brand and the renovation behind Special K, we hope to grow in that adult segment.

Addressing new needs through granola, and we'll show some of those results. And again, winning with those low-income consumers to drive per capita consumption as well as expand our market share position.

In those core developed cereal markets, consumption per capita can go anywhere from 5 to 6 kilos per year. In Latin America, we don't reach even 1 kilo per year in the region. So just do the math: if we can get that per capita consumption we can continue to grow our business and should grow more aggressively.

We've determined that education around nutrition particularly and the power of grain-based foods while sampling is a great way to grow per capita consumption. Then activating those ideas around breakfast for better days in-store through our shopper marketing activations are delivering very good progress for us in household penetration, consumption, as well as in market share.

Category management. I grew up in Texas and we have a saying: this is where the pedal hits the metal. Right? It's right in front of that shelf.

One of the things -- we did three pieces of strategic shopper research, and we found that navigating the category was one of the most difficult parts of the shopping experience. So working with our retailers, using our strategic insights, we have redesigned the planogram for the cereal category.

In every market where it's been implemented, it's helped grow category sales and Kellogg sales anywhere from 7% to 10% year-to-date 2015. You'll see by the signage and when supported by ambassadors communicating nutritional benefits, it is a much easier category now to navigate and to purchase.

Again, leveraging shopper marketing to drive purchase at the point-of-sale, following very specific shopper missions. And one communication platform from home to store through the path to purchase. Delivering also great results is part of the launch of the parent brand.

And here we have it, the Kellogg's granola, muesli, and wholesome bar regional portfolio which we launched in Colombia, have recently expanded into Mexico and Brazil, already showing almost 10% net sales growth across the region. We believe this will enable our adult consumption to accelerate at faster rates than perhaps we've had in the past.

That regional innovation team working on pan-regional innovation, we've had good success with the launch of our kids whole grain portfolio. Again, the granola line. And notice the packaging: it's smaller, it's receivable, it's in a bag and can fit in all of the shelves of the different retail environments that we serve.

We're excited about the potential of Special K Protein,, launched in Mexico, soon to be rolled out throughout the region, already one of our top-selling SKUs in just six, seven weeks in the market. So again, terrific work and potential of our power brands in that pan-regional innovation.

Moving on to snacks. This is more about in-store. So again those high-frequency stores, ensuring we have the right commercial activations in-store, whether it's brand activation, retail environment activation, or specific tailor-made customer activation. And ensuring that our in-store fundamentals are the right ones, so that those shoppers which on an impulse buy category or high-frequency buy category have access to our products anywhere they shop.

Pringles. We've done a great job of growing the Pringles brand, but there is still much more to do. Much like Deanie mentioned, for us it's also an "and" purchase. So it's a highly incremental purchase.

We now have the portfolio well adapted for high-frequency stores, and I think you'll find us being more acquisitive in the snacks arena, as John mentioned this morning. Here's some of the portfolio work that we've done and what we have launched in market.

Again you saw the results in Colombia behind the kids as well as the master brand snacks activation, and you also saw the results in Brazil. These programs will continue to roll out with a strong innovation pipeline coming behind our snacks business.

Fun in Latin America is directly related to football, better known as soccer. We did -- and launched the Copa America 2015 commercial activation program across the region, across all retail environments. So this might look like a modern trade, large retail activation; that was also taken to convenience, to neighborhood stores, and all of the other retail environments that make up HFS.

$12 million in incremental sales, 10,000 stores activated. And very importantly, share of market increases across the two categories in all the countries where it was activated.

The biggest growth opportunity across both of these categories is winning in HFS. More than 60% of our population, as I mentioned, are low-economic consumers, and they shop in the retail environments that make up HFS.

In Mexico, it's neighborhood stores like in Colombia; and in Brazil it's mini-supers, convenience, and bakeries. So behind this area we're focusing, as I mentioned, on education, on having the right portfolio, in-store visibility, and our route-to-market capability.

Educating is not just happening in those large retailers. It's also happening in the neighborhoods where many of these retail environments are located.

And our key account management capabilities, we're translating those to how we engage our distributors and wholesalers who sell to these storeowners. Engaging the storeowner in any emerging market is a really critical component of winning in that specific retail environment.

Here is an example of the cereal portfolio. Where we used to have large/medium boxes now we have everything from singleserve all the way to about 15 portions. The introduction of 21 grams on Pringles goals has shown double-digit increases everywhere we've placed it and everywhere we're selling it today, along with 40 grams as well.

This is a big deal for shoppers. Again, not just in large formats but in those mom-and-pops and convenience stores. In-store visibility is absolutely critical.

And our route to market: not enough to expand distribution; we have to focus on quality coverage, making sure we're covering all the right points of distribution with the right portfolio and increasing our drop size.

We talked about our distributor wholesaler management. Important for us, leveraging technology (technical difficulty) handheld technology to ensure the right replenishment through our distributors and wholesalers for these small store outlets.

An area where we've spent an enormous amount of time, as I said before, was maximizing our current assets: the four plants in Mexico and the other four in South America. Really being focused on increasing the asset utilization of many of those lines, and focusing on cost efficiencies and effectiveness, much of this enabled by Project K as well.

Continuing to focus on people and food safety. One of perhaps the big transformations is moving from a manufacturing-centric organization to a true supply chain organization. Putting a lot of focus on sourcing, making, but also delivering, because customer service and logistics plays a key role in fulfilling not just our consumer and shopper needs but importantly our customer expectation.

So a lot of work, great progress by the team. And as a result, in recent years we can see the improvement in gross profit margin across the region.

So in summary, it's an exciting emerging market and we believe with great opportunity for the years to come. We are completely aligned to our 2020 corporate growth agenda.

As I said before, our categories continue to grow. We have leading brands; and those leading brands have shown the ability to expand and grow share in new segments. And certainly focusing on having the right and high-performance organization and, like you've heard all day, strategically investing for long-term profitable growth in the region.

When John visits us in the region, he often says if Mr. Kellogg were alive today he'd come to Latin America. I think the Latin America team and I share those sentiments. Thank you for your time and interest.

And now I'll call Amit and Chris and Simon for Q&A.

## QUESTIONS AND ANSWERS

**Simon Burton** - *Kellogg Company - VP IR*

Okay. We've got about 10 minutes or so for Q&A, so, Rob, you want to start over there?

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**Rob Moskow** - *Credit Suisse - Analyst*

Sure. Maria, I think you put up a number that said the goal for LatAm could be $3 billion in sales by 2020 -- 2022? How does the devaluation of Venezuela factor into that?

The math I thought I came to was 15% growth per year once I took that into account. So I didn't hear much mention of Venezuela. How are you treating that in your sales currently, and how much growth is really necessary to get there?

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**Maria Fernanda Mejia** - *Kellogg Company - President Kellogg Latin America*

Yes, you saw in our Q2 call the decision we made to reset the exchange rate in Venezuela. We would expect as the -- we have a great team in Venezuela which continues to service and deliver that market under very challenging conditions, right? Our Venezuelan business is not a price controlled business, so we are able within the appropriate parameters to continue to take price. And we expect Venezuela to continue to get back to growth much like the rest of the region.

I think that we will be able to triple the size of the business over -- that is the ambition, much like you've seen in the rest of the emerging markets. Primarily by increasing per capita consumption across all the markets, in particular Brazil where quite frankly we've lagged in years. And the expansion of snacks both wholesome and the acceleration of Pringles will play an important role in delivering those sales over the course of the plan, as Ron mentioned this morning.

The other big opportunity to help us triple the size of our business is HFS. It's a multibillion-dollar opportunity in retail sales. So we're focusing our initiatives behind those big buckets and pockets of growth and, as Ron mentioned, expecting mid- to high-single-digit growth throughout the region.

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**John Bryant** - *Kellogg Company - Chairman, President, CEO*

I think you've heard a couple of growth aspirations today, whether it be the number in Latin America you just mentioned or doubling Arabia or tripling India, that is not consistent with the low single-digit sales growth aspiration of the Company. So they're internal aspirational goals; we wouldn't necessarily expect those to meet our long-term guidance.

But there's a sense that the team is chasing faster growth rates than what would necessarily get you to the consolidated 1% to 3% growth rate for the Company.

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**Simon Burton** - *Kellogg Company - VP IR*

Anybody else? Eric, you want to --?

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**Unidentified Audience Member**

I'm trying to, I guess, understand a little bit in terms of like what's prevented the Company in the past from succeeding, whether it's in snacks or cereal, in a lot of these markets. I guess maybe two takeaways, and tell me if I'm judging it correctly.

But it seems like the product size, like you were too focused on big box as opposed to singleserve, more convenient items; and second, and maybe it's the same issue, but where that product is sold. Has that been a challenge in most of these, not just emerging markets but it seems like it was, to a certain extent, an issue in developed markets as well?

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**Amit Banati** - *Kellogg Company - President Asia Pacific*

I think maybe I'll just give the perspective from Asia Pacific. But certainly yes, having affordable products at the right size, right price in the right channels is a big unlock. I think in all we've launched a cereal pack, the K-pack in India at INR10, at INR5; it's now 40% of our business, and that's happened in the last five years.

I think the other thing which has been an unlock is really the Pringles acquisition, because that has given us scale in these markets. And I think with scale comes the talent you can attract. With scale comes the distributors and the partnerships that you can set up. So I think those are a couple of unlocks which is helping us accelerate growth.

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**Simon Burton** - *Kellogg Company - VP IR*

Chris, you want to add anything?

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**Chris Hood** - *Kellogg Company - President Kellogg Europe*

Yes, I think the only thing I would add to that is the refocus on the category growth model. You heard examples of that across the board.

Especially on cereal, where in markets where we haven't had a very developed category, as the leader around the world it's our job to go in and make that happen. You heard examples from India; we're playing with that in Arabia; and examples from Latin America as well.

That's been a big change, I think, as we think about the potential for cereal in developing markets going forward.

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**Simon Burton** - *Kellogg Company - VP IR*

Chris, do you want to go next?

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**Chris Growe** - *Stifel Nicolaus - Analyst*

I had a question about Europe. The margin goal for 2020 is up significantly from what you had said initially. It's a more robust margin target through 2020. So I'm just curious about what's behind that.

I guess as I'm thinking about the challenges in say the UK and some of the developed markets in cereal, it would seem to me that there would need to be some kind of reinvestment or adjustment, whether it's the portfolio or just reinvesting back in the business to achieve that. So I was surprised by the increase in the margin target there.

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**Chris Hood** - *Kellogg Company - President Kellogg Europe*

Yes, you're talking about the margin target that Ron shared this morning?

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**Chris Growe** - *Stifel Nicolaus - Analyst*

Yes, the 2020 target, yes.

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**Chris Hood** - *Kellogg Company - President Kellogg Europe*

Yes, I think what I would say is first of all we've made great progress. We've put 250 basis points on that margin already -- on the operating profit margin, in the past couple of years.

I think when you look at -- the other thing that's happened is we've built significant margin in the Pringles business since we bought it. So that's been a nice tailwind, if you will, that the team has worked very hard on.

I think you know when we look at the total business portfolio, especially in cereal, one of the things that we are doing is making sure that we are under the Project K umbrella rightsizing our manufacturing footprint. That's yielding some benefit both to the gross line but also then on the operating line.

And we have been extraordinarily disciplined on overhead in Europe. So what Ron shared this morning includes ZBB impact for us as well, and that's a journey that we haven't even really started on in Europe as Ron mentioned. We'll be starting that next year.

So we feel we've got good visibility to that kind of margin growth. In fact when we look at our peers in the region, our peers are sitting somewhere in the 16% to 17% range, and we feel that's where we should be. So we feel it's the right benchmark.

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**Simon Burton** - *Kellogg Company - VP IR*

Anyone? Eric, you want a follow-up?

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**Unidentified Audience Member**

Just so I understand the Africa investment, am I reading it right that you spent $450 million to buy a 50% stake in what is a distributor? And then within that distributor you're going to set up a 50-50 JV for snacks and breakfast food, with -- the goal is $100 million in sales; and then you have an option to buy into that noodle company. Is that right?

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**Amit Banati** - *Kellogg Company - President Asia Pacific*

Yes. I think there are three parts to the transaction. I think there is a 50% stake in the distribution company; the distribution company is $700 million in sales, and the price reflects a 13 time multiple of the estimated EBITDA on the distribution company. Right? On the EBITDA of the distribution company.

The second part of the transaction is an option to buy a stake in the noodle company, right? Then the third part is to set up a joint venture, which we hope will be able to create a $100 million business in the next five years. So those are the three elements of the transaction.

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**John Bryant** - *Kellogg Company - Chairman, President, CEO*

Just to add to that, in a market like Nigeria, sales and distribution is essential. That is the essential element.

Often in a market like the US you'd think you want to buy the brand. We have the option of buying into the branded side of the business; but what's really critical is the sales and distribution capability in a very underdeveloped market.

**Unidentified Audience Member**

So all of that, whether it's part one, part two, and maybe part three or depending on the options, all of that is basically booked through the JV line; is that right? So we're not really going to see -- we're just going to see a line item that's an income off of the JV?

**John Bryant** - *Kellogg Company - Chairman, President, CEO*

The sales and distribution company, our share of profits will go through the other income expense line. Correct, Ron, other income expense?

**Ron Dissinger** - *Kellogg Company - SVP, CFO*

Yes, that's correct. It will go below the line, Eric. So it's not consolidated into our profit and loss statement. It goes below the line based on our share of the profits off the business.

**Unidentified Audience Member**

Okay, thanks.

**Simon Burton** - *Kellogg Company - VP IR*

We've got time for one more. One more question? Yes, David, you want to --?

**Unidentified Audience Member**

Can you just talk about the role of ZBB and how it's different in these emerging markets? Where -- I mean, I hear tripling of businesses and doubling of businesses. And when I think ZBB I generally think that it's massive cost-containment and in many cases fairly significant reductions.

So how did that philosophy foot with this desire of really substantial growth in these emerging market regions of your geographies?

**Chris Hood** - *Kellogg Company - President Kellogg Europe*

I'll talk about Europe for a second because I think -- in Europe we operate a geographic portfolio which includes both developed and developing. We see ZBB as a place that can free up money for us to invest in accelerated growth in the emerging markets. It's one of the ways that we'll get fuel, if you will, to drive that growth.

We've been making those investments over the years. We started three years ago in Dubai, which is where our Middle East hub is, with about 10 people; we've got over 50 people there today.

So we have been investing. And we see that as a way -- as a tool, if you will -- to free up money to make further investments.

**Amit Banati** - *Kellogg Company - President Asia Pacific*

I think similar approach in Asia Pacific, where I think you know we've got a large developed market in Australia; and I think ZBB principles would expand the program over there and look to create fuel to invest back in the emerging markets. I think within the emerging markets, obviously the focus is on growth, but it's always good discipline to go back and look at your cost pools and your cost buckets and see where you can drive more effectiveness to maybe reinvest back in the business.

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**Maria Fernanda Mejia** - *Kellogg Company - President Kellogg Latin America*

I think for us, ZBB is a philosophy of doing business. You can grow and do it in the most efficient and effective manner possible. So, I don't think they are exclusive to each other. The journey we've been on, David, on Project K, doing fewer bigger things hopefully for much longer, streamlining our costs through the enterprise, I think we're better positioned than ever to continue to grow, but be even more effective and efficient in where we put our investment and the return we get for that. So I don't see that it's contrary to growing at the same time.

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**Unidentified Audience Member**

Thank you.

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**Simon Burton** - *Kellogg Company - VP IR*

All right, well, thanks to the international team and will hand over to John, let him give some closing comments.

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## PRESENTATION

**John Bryant** - *Kellogg Company - Chairman, President, CEO*

Okay, thanks, team. And thank you all again for coming here today. We really appreciate it. I hope you enjoyed the booths across the corridor there, some great food. If there is one take away I like you to have from today's discussions, I firmly believe the Company is at an inflection point. It's at an inflection point for a number of reasons.

One, I think we have an outstanding management team, very strong management team. I think you can see some of the great talent we have, some from heritage legacy Kellogg, some from outside the Company.

The second is we have unprecedented productivity programs with Project K, zero-based budgeting and our underlying continuous improvement programs, which gives us excellent earnings visibility.

We are back on our long-term targets for 2016 and beyond. We believe those productivity programs are not just there for 2016, they are there for 2016, 2017, 2018 and so on. The margin expansion goals that Ron gave you earlier today are our target and we can do better than that. They are not a maximum performance, we have the ability to continue to expand margins as we go forward here.

One thing I hope that you have heard throughout the day is the absolute commitment from this management team to return the Company to profitable growth.

So I want to thank you very much for your time. We all here for a few more minutes. I hope you have a great trip home and a fantastic Thanksgiving. I look forward to seeing you all again in about three years time. Thank you.

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