APPENDICES: Kellogg Company 2013 Q4 & Full Year Financial Results Presentation

February 6, 2014

GAAP Reconciliations

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Reconciliation of Kellogg-Defined Cash Flow to GAAP Cash Flow (a)

(unaudited)	Year ended December 28, 2013	Year ended December 29, 2012
Operating activities		
Net income	**$1,808**	$961
Adjustments to reconcile net income to operating cash flows:		
Depreciation and amortization	**532**	448
Postretirement benefit plan (income) expense	**(1,078)**	419
Deferred income taxes	**317**	(159)
Other	**25**	(21)
Postretirement benefit plan contributions	**(48)**	(51)
Changes in operating assets and liabilities, net of acquisitions	**251**	161
Net cash provided by (used in) operating activities	**1,807**	1,758
Less:		
Additions to properties	**(637)**	(533)
Cash flow	**$1,170**	$1,225

(a) Cash flow is defined as net cash provided by operating activities less capital expenditures. The Company uses this non-GAAP financial measure to focus management and investors on the amount of cash available for debt repayment, dividend distributions, acquisition opportunities and share repurchase.

Reconciliation of Non-GAAP Amounts – Reported Operating Profit to Comparable Operating Profit Q4 2013

Quarter ended December 28, 2013

(millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	North America Other	Europe	Latin America	Asia Pacific	Corporate	Kellogg Consolidated
Reported Operating Profit	**$10**	**$106**	**$55**	**$52**	**$36**	**$28**	**$(3)**	**$976**	**$1,260**
Mark-to-market[(a)]	-	-	-	-	-	-	-	1,006	1,006
Project K[(b)]	(95)	(18)	(2)	(9)	(19)	(1)	(23)	(24)	(191)
Underlying Operating Profit[(c)]	**$105**	**$124**	**$57**	**$61**	**$55**	**$29**	**$20**	**$(6)**	**$445**
Pringles integration costs	**-**	**(1)**	**-**	**-**	**(16)**	**-**	**-**	**-**	**(17)**
Comparable Operating Profit[(d)]	**$105**	**$125**	**$57**	**$61**	**$71**	**$29**	**$20**	**($6)**	**$462**

Quarter ended December 29, 2012

(millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	North America Other	Europe	Latin America	Asia Pacific	Corporate	Kellogg Consolidated
Reported Operating Profit	**$123**	**$115**	**$52**	**$58**	**$51**	**$32**	**$6**	**$(434)**	**$3**
Mark-to-market[(a)]	-	-	-	-	-	-	-	(402)	(402)
Project K[(b)]	-	-	-	-	-	-	-	-	-
Underlying Operating Profit[(c)]	**$123**	**$115**	**$52**	**$58**	**$51**	**$32**	**$6**	**$(32)**	**$405**
Pringles integration costs	-	(9)	-	-	(10)	(1)	(4)	(3)	(27)
Comparable Operating Profit[(d)]	**$123**	**$124**	**$52**	**$58**	**$61**	**$33**	**$10**	**$(29)**	**$432**

(a) Includes mark-to-market adjustments for pension plans and commodity contracts as reflected in selling, general and administrative expense as well as cost of goods sold. Actuarial gains/losses for pension plans are recognized in the year they occur. In 2013 , asset returns exceeded expectations by $545 million and discount rates exceeded expectations by 65 basis points resulting in a favorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2013. A portion of this mark-to-market adjustment was capitalized as inventoriable cost at the end of 2013. In 2012, asset returns exceeded expectations by $211 million but discount rates fell almost 100 basis points resulting in an unfavorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2012. A portion of the 2012 pension mark-to-market adjustment was capitalized as an inventoriable cost at the end of 2012. This amount has been recorded in earnings in the first quarter of 2013. In 2011, asset returns were lower than expected by $471 million and discount rates declined resulting in an unfavorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2011. A portion of the 2011 pension mark-to-market adjustment was capitalized as an inventoriable cost at the end of 2011. This amount was recorded in earnings in the first quarter of 2012. Mark-to-market adjustments for commodities reflect the changes in the fair value of contracts for the difference between contract and market prices for the underlying commodities. The resulting gains/losses are recognized in the quarter they occur.

(b) Costs incurred related to execution of Project K, a four-year efficiency-and-effectiveness program. The focus of the program will be to strengthen existing businesses in core markets, increase growth in developing and emerging markets, and drive an increased level of value-added innovation. The program is expected to provide a number of benefits, including an optimized supply chain infrastructure, the implementation of global business services, and a new global focus on categories.

(c) Underlying Operating Profit excludes the impact pension plans and commodity contracts mark-to-market adjustments and Project K costs. The Company believes the use of this non-GAAP measure provides increased transparency and assists in understanding underlying operating performance. This non-GAAP measure is reconciled to the directly comparable measure in accordance with U.S. GAAP within this table. Underlying operating profit for the quarter ended December 28, 2013 and December 29, 2012 includes postretirement benefit plan expense (income) of ($2) million and ($6) million, respectively.

(d) Comparable Operating Profit is a non-GAAP measure that excludes the impact of mark-to-market adjustments on pension plans and commodity contracts, the impact of Project K costs and the impact of integration costs related to the acquisition of the Pringles business.

Reconciliation of Non-GAAP Amounts – Reported Operating Profit to Comparable Operating Profit
Full-Year 2013

Year ended December 28, 2013

(millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	North America Other	Europe	Latin America	Asia Pacific	Corporate	Kellogg Consolidated
Reported Operating Profit	**$485**	**$447**	**$265**	**$275**	**$256**	**$157**	**$60**	**$892**	**$2,837**
Mark-to-market[(a)]	-	-	-	-	-	-	-	947	947
Project K[(b)]	(100)	(19)	(3)	(9)	(19)	(4)	(24)	(30)	(208)
Underlying Operating Profit[(c)]	**$585**	**$466**	**$268**	**$284**	**$275**	**$161**	**$84**	**$(25)**	**$2,098**
Pringles integration costs	-	(12)	-	(1)	(34)	(1)	(11)	(6)	(65)
Comparable Operating Profit[(d)]	**$585**	**$478**	**$268**	**$285**	**$309**	**$162**	**$95**	**$(19)**	**$2,163**

Year ended December 29, 2012

(millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	North America Other	Europe	Latin America	Asia Pacific	Corporate	Kellogg Consolidated
Reported Operating Profit	**$588**	**$476**	**$241**	**$265**	**$261**	**$167**	**$85**	**$(521)**	**$1,562**
Mark-to-market[(a)]	-	-	-	-	-	-	-	(452)	(452)
Project K[(b)]	-	-	-	-	-	-	-	-	-
Underlying Operating Profit[(c)]	**$588**	**$476**	**$241**	**$265**	**$261**	**$167**	**$85**	**$(69)**	**$2,014**
Pringles integration costs	-	(18)	-	-	(24)	(1)	(5)	(33)	(81)
Comparable Operating Profit[(d)]	**$588**	**$494**	**$241**	**$265**	**$285**	**$168**	**$90**	**$(36)**	**$2,095**

(a) Includes mark-to-market adjustments for pension plans and commodity contracts as reflected in selling, general and administrative expense as well as cost of goods sold. Actuarial gains/losses for pension plans are recognized in the year they occur. In 2013 , asset returns exceeded expectations by $545 million and discount rates exceeded expectations by 65 basis points resulting in a favorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2013. A portion of this mark-to-market adjustment was capitalized as inventoriable cost at the end of 2013. In 2012, asset returns exceeded expectations by $211 million but discount rates fell almost 100 basis points resulting in an unfavorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2012. A portion of the 2012 pension mark-to-market adjustment was capitalized as an inventoriable cost at the end of 2012. This amount has been recorded in earnings in the first quarter of 2013. In 2011, asset returns were lower than expected by $471 million and discount rates declined resulting in an unfavorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2011. A portion of the 2011 pension mark-to-market adjustment was capitalized as an inventoriable cost at the end of 2011. This amount was recorded in earnings in the first quarter of 2012. Mark-to-market adjustments for commodities reflect the changes in the fair value of contracts for the difference between contract and market prices for the underlying commodities. The resulting gains/losses are recognized in the quarter they occur.

(b) Costs incurred related to execution of Project K, a four-year efficiency-and-effectiveness program. The focus of the program will be to strengthen existing businesses in core markets, increase growth in developing and emerging markets, and drive an increased level of value-added innovation. The program is expected to provide a number of benefits, including an optimized supply chain infrastructure, the implementation of global business services, and a new global focus on categories.

(c) Underlying Operating Profit excludes the impact pension plans and commodity contracts mark-to-market adjustments and Project K costs. The Company believes the use of this non-GAAP measure provides increased transparency and assists in understanding underlying operating performance. This non-GAAP measure is reconciled to the directly comparable measure in accordance with U.S. GAAP within this table. Underlying operating profit for the year ended December 28, 2013 and December 29, 2012 includes postretirement benefit plan expense (income) of ($12) million and ($20) million, respectively.

(d) Comparable Operating Profit is a non-GAAP measure that excludes the impact of mark-to-market adjustments on pension plans and commodity contracts, the impact of Project K costs and the impact of integration costs related to the acquisition of the Pringles business.

Reconciliation of Non-GAAP Amounts – Reported Operating Profit Growth to Underlying Reported Operating Profit Growth

	Quarter ended December 28, 2013	Year ended December 28, 2013
Reported Operating Profit Growth	42467.1%	81.6%
Mark-to-market (a)	42504.4%	87.7%
Project K (b)	-47.3%	-10.3%
Underlying Reported Operating Profit Growth (c)	10.0%	4.2%

(a) Includes mark-to-market adjustments for pension plans and commodity contracts as reflected in selling, general and administrative expense as well as cost of goods sold. Actuarial gains/losses for pension plans are recognized in the year they occur. In 2013 , asset returns exceeded expectations by $545 million and discount rates exceeded expectations by 65 basis points resulting in a favorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2013. A portion of this mark-to-market adjustment was capitalized as inventoriable cost at the end of 2013. In 2012, asset returns exceeded expectations by $211 million but discount rates fell almost 100 basis points resulting in an unfavorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2012. A portion of the 2012 pension mark-to-market adjustment was capitalized as an inventoriable cost at the end of 2012. This amount has been recorded in earnings in the first quarter of 2013. In 2011, asset returns were lower than expected by $471 million and discount rates declined resulting in an unfavorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2011. A portion of the 2011 pension mark-to-market adjustment was capitalized as an inventoriable cost at the end of 2011. This amount was recorded in earnings in the first quarter of 2012. Mark-to-market adjustments for commodities reflect the changes in the fair value of contracts for the difference between contract and market prices for the underlying commodities. The resulting gains/losses are recognized in the quarter they occur.

(b) Costs incurred related to execution of Project K, a four-year efficiency-and-effectiveness program. The focus of the program will be to strengthen existing businesses in core markets, increase growth in developing and emerging markets, and drive an increased level of value-added innovation. The program is expected to provide a number of benefits, including an optimized supply chain infrastructure, the implementation of global business services, and a new global focus on categories.

(c) Underlying reported operating profit growth is reconciled to the directly comparable measure in accordance with U.S. GAAP within this table.

Reconciliation of Non-GAAP Amounts – Reported EPS to Comparable EPS

	Quarter ended			Year ended		
	December 28, 2013	December 29, 2012	*Change vs. prior year*	**December 28, 2013**	December 29, 2012	*Change vs. prior year*
Reported EPS	**$2.24**	$(0.09)	2588.9%	**$4.94**	$2.67	85.0%
Mark-to-market[(a)]	**1.83**	(0.74)	2855.6%	**1.72**	(0.85)	96.3%
Project K[(b)]	**(0.39)**	-	-289.8%	**(0.42)**	-	-14.7%
Underlying EPS[(c)]	**$0.80**	$0.65	23.1%	**$3.64**	$3.52	3.4%
Pringles Integration costs (net of one-time benefits)	**(0.03)**	(0.05)	4.5%	**(0.13)**	(0.09)	-1.0%
Comparable EPS[(d)]	**$0.83**	$0.70	18.6%	**$3.77**	$3.61	4.4%

(a) Includes mark-to-market adjustments for pension plans and commodity contracts as reflected in selling, general and administrative expense as well as cost of goods sold. Actuarial gains/losses for pension plans are recognized in the year they occur. In 2013 , asset returns exceeds expectations by $545 million and discount rates exceeded expectations by 65 basis points resulting in a favorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2013. A portion of this mark-to-market adjustment was capitalized as inventoriable cost at the end of 2013. In 2012, asset returns exceeded expectations by $211 million but discount rates fell almost 100 basis points resulting in an unfavorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2012. A portion of the 2012 pension mark-to-market adjustment was capitalized as an inventoriable cost at the end of 2012. This amount has been recorded in earnings in the first quarter of 2013. In 2011, asset returns were lower than expected by $471 million and discount rates declined resulting in an unfavorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2011. A portion of the 2011 pension mark-to-market adjustment was capitalized as an inventoriable cost at the end of 2011. This amount was recorded in earnings in the first quarter of 2012. Mark-to-market adjustments for commodities reflect the changes in the fair value of contracts for the difference between contract and market prices for the underlying commodities. The resulting gains/losses are recognized in the quarter they occur.

(b) Costs incurred related to execution of Project K, a four-year efficiency-and- effectiveness program. The focus of the program will be to strengthen existing businesses in core markets, increase growth in developing and emerging markets, and drive an increased level of value-added innovation. The program is expected to provide a number of benefits, including an optimized supply chain infrastructure, the implementation of global business services, and a new global focus on categories.

(c) Underlying EPS is a non-GAAP measure that excludes the impact of pension and commodity mark-to-market adjustments and Project K costs.

(d) Comparable EPS is a non-GAAP measure that excludes the impact of mark-to-market adjustments on pension plans and commodity contracts, the impact of Project K costs, and the impact of integration costs net of one-time benefits related to the acquisition of the Pringles business. One-time benefits in the first quarter of 2012 consisted of a gain on transaction-related hedging. Second quarter 2012 net one-time benefits included foreign exchange and tax rate benefits which were partially offset by a loss on transaction-related hedging.

Reconciliation of Non-GAAP Amounts – Reported Gross Profit to Underlying Reported Gross Profit

	Quarter ended December 28, 2013	Year ended December 28, 2013
Reported Gross Profit (a)	$1,783	$6,103
Mark-to-market (b)	569	510
Project K (c)	(168)	(174)
Underlying Reported Gross Profit (d)	$1,382	$5,767

(a) Gross profit is equal to net sales less cost of goods sold.

(b) Includes mark-to-market adjustments for pension plans and commodity contracts as reflected in cost of goods sold. Actuarial gains/losses for pension plans are recognized in the year they occur. In 2013 , asset returns exceeded expectations by $545 million and discount rates exceeded expectations by 65 basis points resulting in a favorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2013. A portion of this mark-to-market adjustment was capitalized as inventoriable cost at the end of 2013. In 2012, asset returns exceeded expectations by $211 million but discount rates fell almost 100 basis points resulting in an unfavorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2012. A portion of the 2012 pension mark-to-market adjustment was capitalized as an inventoriable cost at the end of 2012. This amount has been recorded in earnings in the first quarter of 2013. In 2011, asset returns were lower than expected by $471 million and discount rates declined resulting in an unfavorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2011. A portion of the 2011 pension mark-to-market adjustment was capitalized as an inventoriable cost at the end of 2011. This amount was recorded in earnings in the first quarter of 2012. Mark-to-market adjustments for commodities reflect the changes in the fair value of contracts for the difference between contract and market prices for the underlying commodities. The resulting gains/losses are recognized in the quarter they occur.

(c) Costs incurred related to execution of Project K, a four-year efficiency-and-effectiveness program. The focus of the program will be to strengthen existing businesses in core developed markets, increase growth in developing and emerging markets, and drive an increased level of value-added innovation. The program is expected to provide a number of benefits, including an optimized supply chain infrastructure, the implementation of global business services, and a new global focus on categories.

(d) Underlying reported gross profit is reconciled to the directly comparable measure in accordance with U.S. GAAP within this table.

Reconciliation of Non-GAAP Amounts – Reported Gross Margin to Underlying Reported Gross Margin

	Quarter ended December 28, 2013	Year ended December 28, 2013
Reported Gross Margin (a)	50.9%	41.3%
Mark-to-market (b)	16.3%	3.4%
Project K (c)	-4.8%	-1.1%
Underlying Reported Gross Margin (d)	39.4%	39.0%

(a) Reported gross margin as a percentage of net sales. Gross margin is equal to net sales less cost of goods sold.

(b) Includes mark-to-market adjustments for pension plans and commodity contracts as reflected in cost of goods sold. Actuarial gains/losses for pension plans are recognized in the year they occur. In 2013 , asset returns exceeded expectations by $545 million and discount rates exceeded expectations by 65 basis points resulting in a favorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2013. A portion of this mark-to-market adjustment was capitalized as inventoriable cost at the end of 2013. In 2012, asset returns exceeded expectations by $211 million but discount rates fell almost 100 basis points resulting in an unfavorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2012. A portion of the 2012 pension mark-to-market adjustment was capitalized as an inventoriable cost at the end of 2012. This amount has been recorded in earnings in the first quarter of 2013. In 2011, asset returns were lower than expected by $471 million and discount rates declined resulting in an unfavorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2011. A portion of the 2011 pension mark-to-market adjustment was capitalized as an inventoriable cost at the end of 2011. This amount was recorded in earnings in the first quarter of 2012. Mark-to-market adjustments for commodities reflect the changes in the fair value of contracts for the difference between contract and market prices for the underlying commodities. The resulting gains/losses are recognized in the quarter they occur.

(c) Costs incurred related to execution of Project K, a four-year efficiency-and-effectiveness program. The focus of the program will be to strengthen existing businesses in core developed markets, increase growth in developing and emerging markets, and drive an increased level of value-added innovation. The program is expected to provide a number of benefits, including an optimized supply chain infrastructure, the implementation of global business services, and a new global focus on categories.

(d) Underlying reported gross margin is reconciled to the directly comparable measure in accordance with U.S. GAAP within this table.

Analysis of Net Sales and Operating Profit Performance
Q4 2013

Fourth Quarter of 2013 versus 2012

(dollars in millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	North Am. Other	North America	Europe	Latin America	Asia Pacific	Corp-orate	Consoli-dated
2013 net sales	**$808**	**$830**	**$270**	**$342**	**$2,250**	**$716**	**$281**	**$254**	**$0**	**$3,501**
2012 net sales	**$841**	**$856**	**$257**	**$360**	**$2,314**	**$691**	**$285**	**$273**	**$0**	**$3,563**
% change - 2013 vs. 2012:										
As Reported	**-4.0%**	**-3.0%**	**5.1%**	**-5.1%**	**-2.8%**	**3.6%**	**-1.2%**	**-7.0%**	**0.0%**	**-1.7%**
Acquisitions/Dispositions	0.0%	0.5%	0.0%	0.0%	0.2%	0.0%	0.0%	-1.4%	0.0%	0.0%
Integration impact (a)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%	0.0%
Foreign currency impact	0.0%	0.0%	0.0%	-2.2%	-0.4%	2.4%	-4.2%	-9.7%	0.0%	-0.8%
Subtotal - internal business (b)	**-4.0%**	**-3.5%**	**5.1%**	**-2.9%**	**-2.6%**	**1.2%**	**3.0%**	**4.2%**	**0.0%**	**-0.9%**
Volume (tonnage) (c)					-3.0%	3.2%	-5.8%	4.7%	0.0%	-1.6%
Pricing/mix					0.4%	-2.0%	8.8%	-0.5%	0.0%	0.7%

(dollars in millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	North Am. Other	North America	Europe	Latin America	Asia Pacific	Corp-orate	Consoli-dated
2013 operating profit	**$10**	**$106**	**$55**	**$52**	**$223**	**$36**	**$28**	**($3)**	**$976**	**$1,260**
2012 operating profit	**$123**	**$115**	**$52**	**$58**	**$348**	**$51**	**$32**	**$6**	**($434)**	**$3**
% change - 2013 vs. 2012:										
As Reported	**-91.5%**	**-8.0%**	**5.7%**	**-12.5%**	**-36.1%**	**-30.1%**	**-13.0%**	**-150.2%**	**324.4%**	**42467.1%**
Acquisitions/Dispositions	0.0%	0.7%	0.0%	0.0%	0.2%	0.0%	0.0%	48.0%	0.0%	0.6%
Integration impact (a)	0.0%	8.2%	0.0%	-0.4%	2.6%	-8.3%	0.2%	76.7%	0.2%	2.3%
Foreign currency impact	0.1%	0.0%	0.0%	-2.6%	-0.4%	-0.7%	-5.1%	-47.9%	0.4%	-1.7%
Mark-to-market (d)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	312.3%	42504.4%
Project K (e)	-77.8%	-15.9%	-4.0%	-14.2%	-35.6%	-36.4%	-3.4%	-370.3%	-70.4%	-47.3%
Underlying internal (f)	**-13.8%**	**-1.0%**	**9.7%**	**4.7%**	**-2.9%**	**15.3%**	**-4.7%**	**143.3%**	**81.9%**	**8.8%**

Analysis of Net Sales and Operating Profit Performance
Q4 2013

(a) Includes impact of integration costs associated with the Pringles acquisition.

(b) Internal net sales growth for 2013 excludes the impact of acquisitions, divestitures, integration costs and impact of foreign currency translation. Internal net sales growth is a non-GAAP financial measure which is reconciled to the directly comparable measure in accordance with U.S. GAAP within these tables.

(c) We measure the volume impact (tonnage) on revenues based on the stated weight of our product shipments.

(d) Includes mark-to-market adjustments for pension plans and commodity contracts as reflected in selling, general and administrative expense as well as cost of goods sold. Actuarial gains/losses for pension plans are recognized in the year they occur. In 2013 , asset returns exceeded expectations by $545 million and discount rates exceeded expectations by 65 basis points resulting in a favorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2013. A portion of this mark-to-market adjustment was capitalized as inventoriable cost at the end of 2013. In 2012, asset returns exceeded expectations by $211 million but discount rates fell almost 100 basis points resulting in an unfavorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2012. A portion of the 2012 pension mark-to-market adjustment was capitalized as an inventoriable cost at the end of 2012. This amount has been recorded in earnings in the first quarter of 2013. In 2011, asset returns were lower than expected by $471 million and discount rates declined resulting in an unfavorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2011. A portion of the 2011 pension mark-to-market adjustment was capitalized as an inventoriable cost at the end of 2011. This amount was recorded in earnings in the first quarter of 2012. Mark-to-market adjustments for commodities reflect the changes in the fair value of contracts for the difference between contract and market prices for the underlying commodities. The resulting gains/losses are recognized in the quarter they occur.

(e) Costs incurred related to execution of Project K, a four-year efficiency-and-effectiveness program. The focus of the program will be to strengthen existing businesses in core markets, increase growth in developing and emerging markets, and drive an increased level of value-added innovation. The program is expected to provide a number of benefits, including an optimized supply chain infrastructure, the implementation of global business services, and a new global focus on categories.

(f) Underlying internal operating profit growth excludes the impact of foreign currency translation, pension plans and commodity contracts mark-to-market adjustments, Project K costs and, if applicable, acquisitions, dispositions, and integration costs associated with the acquisition of Pringles. The Company believes the use of this non-GAAP measure provides increased transparency and assists in understanding underlying operating performance. This non-GAAP measure is reconciled to the directly comparable measure in accordance with U.S. GAAP within this table.

Analysis of Net Sales and Operating Profit Performance
Full-Year 2013

Year ended 2013 versus 2012

(dollars in millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	North Am. Other	North America	Europe	Latin America	Asia Pacific	Corp-orate	Consoli-dated
2013 net sales	**$3,465**	**$3,534**	**$1,202**	**$1,515**	**$9,716**	**$2,860**	**$1,195**	**$1,021**	**$0**	**$14,792**
2012 net sales	**$3,533**	**$3,400**	**$1,121**	**$1,485**	**$9,539**	**$2,527**	**$1,121**	**$1,010**	**$0**	**$14,197**
% change - 2013 vs. 2012:										
As Reported	**-1.9%**	**4.0%**	**7.2%**	**2.0%**	**1.9%**	**13.2%**	**6.6%**	**1.1%**	**0.0%**	**4.2%**
Acquisitions/Divestitures (a)	0.0%	6.9%	3.1%	1.3%	3.1%	10.3%	3.6%	6.4%	0.0%	4.6%
Integration impact (b)	0.0%	0.0%	0.0%	-0.1%	0.0%	0.0%	0.0%	-0.4%	0.0%	0.0%
Foreign currency impact	0.0%	0.0%	0.0%	-1.4%	-0.3%	1.2%	-2.5%	-7.9%	0.0%	-0.7%
Subtotal - internal business (c)	**-1.9%**	**-2.9%**	**4.1%**	**2.2%**	**-0.9%**	**1.7%**	**5.5%**	**3.0%**	**0.0%**	**0.3%**
Volume (tonnage) (d)					-1.3%	1.2%	-1.7%	5.0%	0.0%	-0.5%
Pricing/mix					0.4%	0.5%	7.2%	-2.0%	0.0%	0.8%

(dollars in millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	North Am. Other	North America	Europe	Latin America	Asia Pacific	Corp-orate	Consoli-dated
2013 operating profit	**$485**	**$447**	**$265**	**$275**	**$1,472**	**$256**	**$157**	**$60**	**$892**	**$2,837**
2012 operating profit	**$588**	**$476**	**$241**	**$265**	**$1,570**	**$261**	**$167**	**$85**	**($521)**	**$1,562**
% change - 2013 vs. 2012:										
As Reported	**-17.4%**	**-6.1%**	**9.9%**	**3.6%**	**-6.2%**	**-2.0%**	**-5.8%**	**-29.9%**	**271.1%**	**81.6%**
Acquisitions/Divestitures (a)	0.0%	7.2%	3.2%	1.1%	2.9%	6.3%	4.1%	7.9%	-6.3%	3.6%
Integration impact (b)	0.0%	1.4%	0.0%	-0.5%	0.4%	-3.1%	-0.1%	-7.2%	9.5%	0.7%
Foreign currency impact	0.0%	0.0%	0.0%	-1.7%	-0.3%	-0.7%	-7.2%	-11.1%	-0.7%	-1.4%
Mark-to-market (e)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	250.2%	87.7%
Project K (f)	-17.1%	-4.1%	-1.0%	-3.3%	-8.3%	-7.1%	-2.7%	-27.9%	-43.2%	-10.3%
Underlying internal (g)	**-0.3%**	**-10.6%**	**7.7%**	**8.0%**	**-0.9%**	**2.6%**	**0.1%**	**8.4%**	**61.6%**	**1.3%**

Analysis of Net Sales and Operating Profit Performance
Full-Year 2013

(a) Impact of results for the full-year ended December 28, 2013 and December 29, 2012 from the acquisition of Pringles and the divestiture of Navigable Foods.

(b) Includes impact of integration costs associated with the Pringles acquisition.

(c) Internal net sales growth for 2013 excludes the impact of acquisitions, divestitures, integration costs and impact of foreign currency translation. Internal net sales growth is a non-GAAP financial measure which is reconciled to the directly comparable measure in accordance with U.S. GAAP within these tables.

(d) We measure the volume impact (tonnage) on revenues based on the stated weight of our product shipments.

(e) Includes mark-to-market adjustments for pension plans and commodity contracts as reflected in selling, general and administrative expense as well as cost of goods sold. Actuarial gains/losses for pension plans are recognized in the year they occur. In 2013 , asset returns exceeded expectations by $545 million and discount rates exceeded expectations by 65 basis points resulting in a favorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2013. A portion of this mark-to-market adjustment was capitalized as inventoriable cost at the end of 2013. In 2012, asset returns exceeded expectations by $211 million but discount rates fell almost 100 basis points resulting in an unfavorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2012. A portion of the 2012 pension mark-to-market adjustment was capitalized as an inventoriable cost at the end of 2012. This amount has been recorded in earnings in the first quarter of 2013. In 2011, asset returns were lower than expected by $471 million and discount rates declined resulting in an unfavorable mark-to-market adjustment recorded in earnings in the fourth quarter of 2011. A portion of the 2011 pension mark-to-market adjustment was capitalized as an inventoriable cost at the end of 2011. This amount was recorded in earnings in the first quarter of 2012. Mark-to-market adjustments for commodities reflect the changes in the fair value of contracts for the difference between contract and market prices for the underlying commodities. The resulting gains/losses are recognized in the quarter they occur.

(f) Costs incurred related to execution of Project K, a four-year efficiency-and-effectiveness program. The focus of the program will be to strengthen existing businesses in core markets, increase growth in developing and emerging markets, and drive an increased level of value-added innovation. The program is expected to provide a number of benefits, including an optimized supply chain infrastructure, the implementation of global business services, and a new global focus on categories.

(g) Underlying internal operating profit growth excludes the impact of foreign currency translation, pension plan and commodity contracts mark-to-market adjustments, Project K costs and, if applicable, acquisitions, dispositions, and integration costs associated with the acquisition of Pringles. The Company believes the use of this non-GAAP measure provides increased transparency and assists in understanding underlying operating performance. This non-GAAP measure is reconciled to the directly comparable measure in accordance with U.S. GAAP within this table.

Project K [a]

$ millions	Quarter ended December 28, 2013			Year ended December 28, 2013		
	Cost of goods sold	Selling, general and administrative expense	Total	Cost of goods sold	Selling, general and administrative expense	Total
2013						
U.S. Morning Foods	$93	$2	$95	$97	$3	$100
U.S. Snacks	17	1	18	17	2	19
U.S. Specialty	-	2	2	-	3	3
North America Other	8	1	9	8	1	9
Europe	18	1	19	18	1	19
Latin America	(1)	2	1	1	3	4
Asia Pacific	21	2	23	21	3	24
Corporate	12	12	24	12	18	30
	$168	$23	$191	$174	$34	$208

(a) Costs incurred related to execution of Project K, a four-year efficiency-and-effectiveness program. The focus of the program will be to strengthen existing businesses in core markets, increase growth in developing and emerging markets, and drive an increased level of value-added innovation. The program is expected to provide a number of benefits, including an optimized supply chain infrastructure, the implementation of global business services, and a new global focus on categories.