

# Kraft Foods

## Q2 2010 Results

August 5, 2010



# Forward-looking statements

This slide presentation contains a number of forward-looking statements. Words such as “expects,” “goals,” “plans,” “believes,” “continues,” “may,” “will,” and variations of such words, and similar expressions, are intended to identify forward-looking statements including, but not limited to, statements that the macro environment remains difficult; our expectation for sequential improvement in the second half of the year; our plan to spend back our upside to stage the company for future growth; that our focused investments are driving Kraft Foods’ base business; our belief that brand equity investments continue to drive improved vol/mix trend; that new products are fueling Cadbury growth; our intent for continued financial momentum while we integrate Cadbury; in Kraft Foods North America, our expectation for solid base Kraft Foods growth in the second half of the year from key programs; our belief that improved portfolio mix, broader geographic footprint, brand-building investments and cost savings initiatives are paying off; our belief that volume/mix gains, leveraging scale and lower overhead costs are driving margin expansion and fueling brand investments; that we are raising our cost synergy target and integration program costs; expected combined organic net revenue growth due to solid base consumption driven by brand equity investments, key new product and merchandising programs in the second half, normalizing Cadbury trade inventory and aggressive U.S. promotional environment; the reasons that we confirmed operating EPS guidance, including greater synergy savings and lower taxes; and our intent to build a global powerhouse, to realize great cost synergies, to reap the benefits of a more diverse, global portfolio, to deliver high quality base business earnings growth and spending back upside to build brands and lay a foundation for top-tier growth in 2011. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, which could cause our actual results to differ materially from those indicated in our forward-looking statements. Such factors, include, but are not limited to, pricing actions, increased competition, risks from operating internationally, our indebtedness and our ability to pay our indebtedness, failure to realize the expected benefits of our combination with Cadbury, continued weakness in economic conditions and tax law changes. Please also see our risk factors, as they may be amended from time to time, set forth in our SEC filings, including our registration statement on Form S-4, as amended from time to time, filed in connection with our Cadbury offer, our most recently filed Annual Report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. We disclaim and do not undertake any obligation to update or revise any forward-looking statement in this slide presentation except as required by applicable law or regulation.



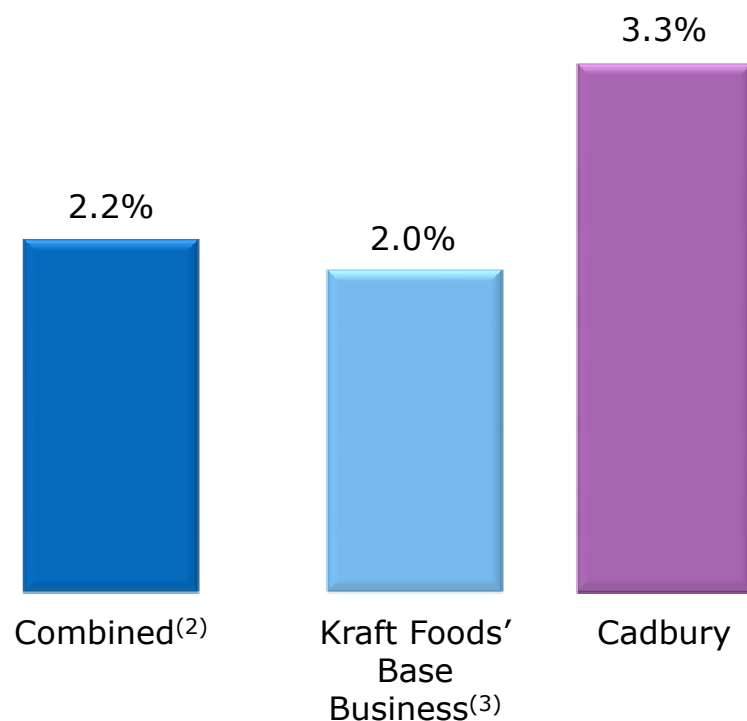
# Strong financial momentum continued

- Macro environment remains difficult
- Revenue performance was mixed
  - Expect sequential improvement in H2
- Operating EPS, margin gains driven by vol/mix, productivity gains and overhead cost savings
- Spending back upside to stage future growth

# Kraft Foods: Q2 Organic Net Revenue Growth

## Organic Net Revenue Growth<sup>(1)</sup>

- Focused investments driving Kraft Foods' base business



(1) See GAAP to Non-GAAP reconciliation at the end of this presentation.

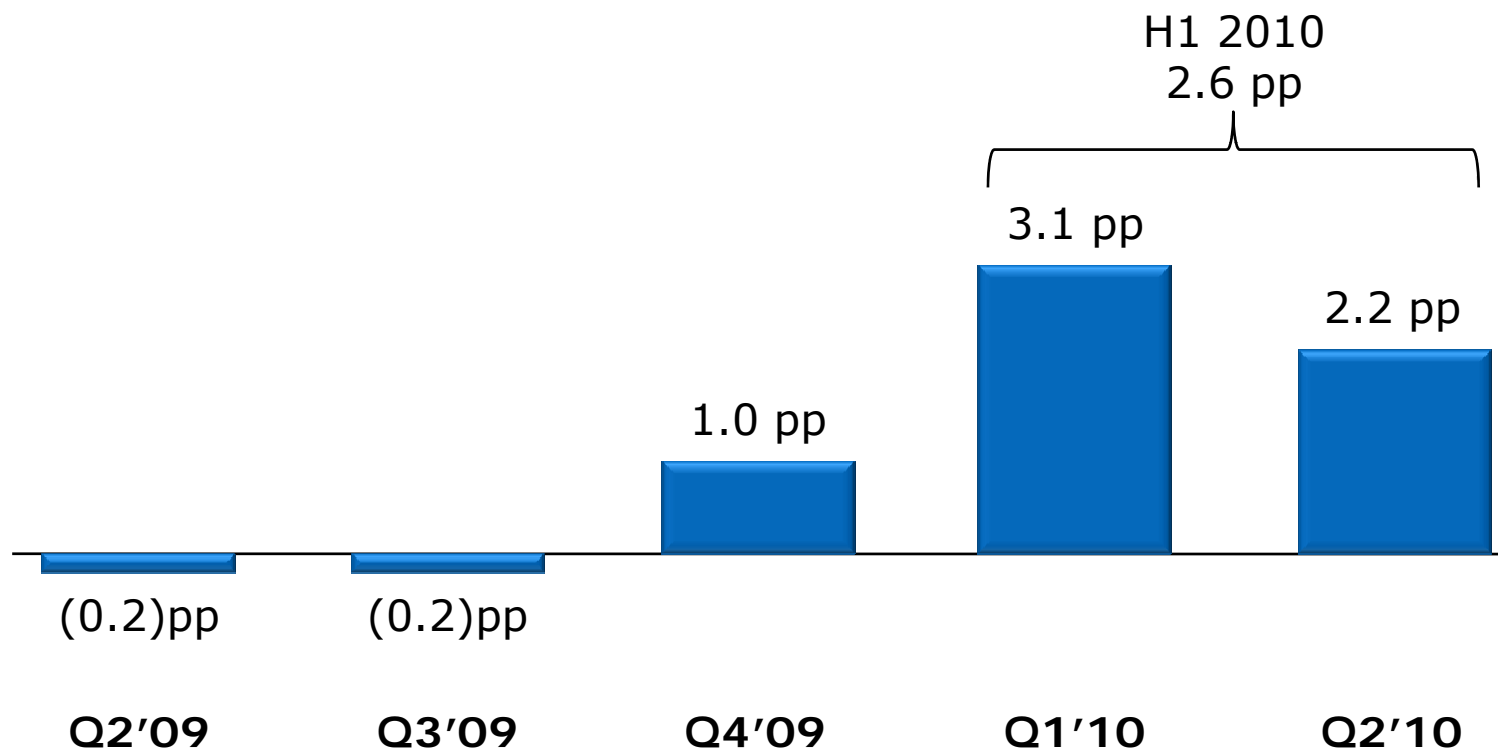
(2) Reported Net Revenues increased 25.3%.

(3) Kraft Foods' base business is defined as the continuing operations of Kraft Foods, excluding the financial results of Cadbury.



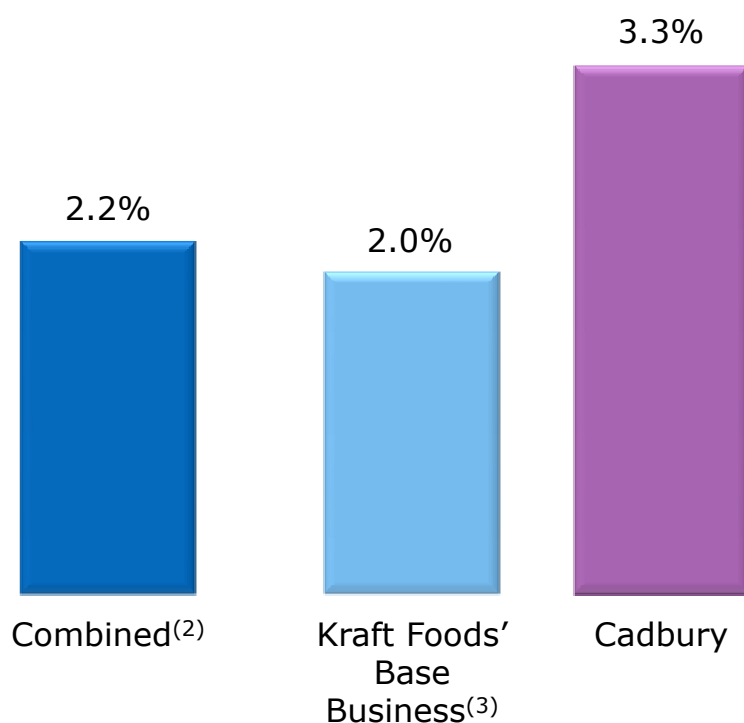
# Brand equity investments continue to drive improved vol/mix trend

## Kraft Foods' Base Business Volume/Mix



# Kraft Foods: Q2 Organic Net Revenue Growth

## Organic Net Revenue Growth<sup>(1)</sup>



- Focused investments driving Kraft Foods' base business
- New products fueling Cadbury growth

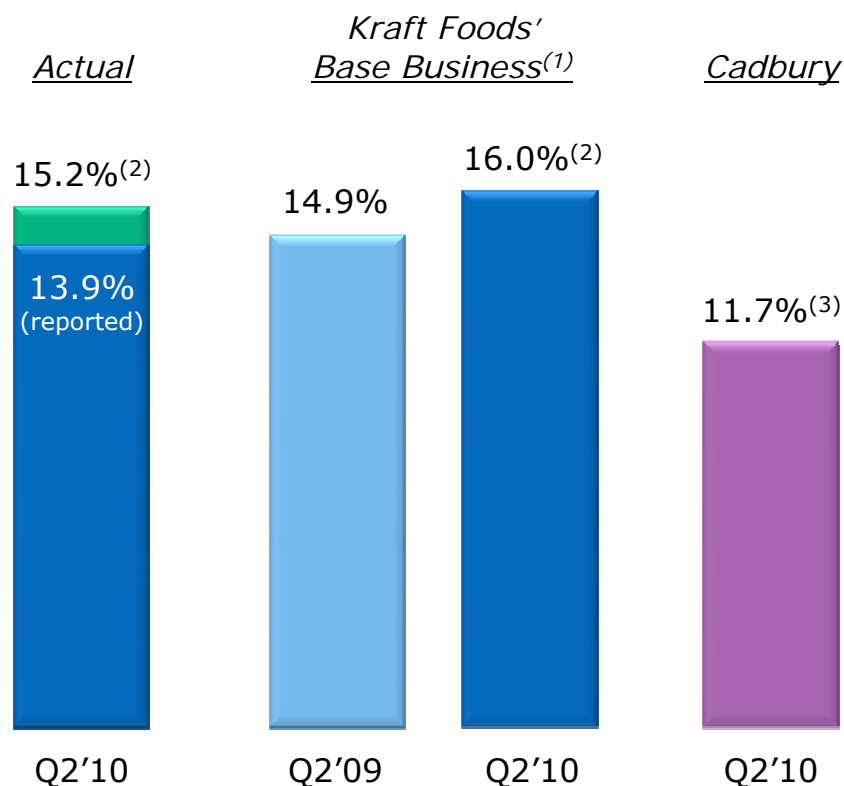
(1) See GAAP to Non-GAAP reconciliation at the end of this presentation.

(2) Reported Net Revenues increased 25.3%.

(3) Kraft Foods' base business is defined as the continuing operations of Kraft Foods, excluding the financial results of Cadbury.

# Kraft Foods: Q2 Operating Income Margin

## Operating Income Margin



- Kraft Foods' base business driven by gross margin gains in every geography
- Cadbury profit performance reflected improved product mix, productivity gains and timing of marketing spend

(1) Kraft Foods' base business is defined as the continuing operations of Kraft Foods, excluding the financial results of Cadbury.

(2) Excludes acquisition-related and integration program costs. See GAAP to Non-GAAP reconciliation at the end of this presentation.

(3) Recorded operating income margin was 7.4%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

# Continued financial momentum while integrating Cadbury

	<u>Q2</u>	<u>June YTD</u>
<b>2009 Diluted EPS</b>	<b>\$0.56</b>	<b>\$1.00</b>
Earnings from Discontinued Operations	(0.03)	(0.07)
<b>2009 Diluted EPS from Continuing Operations</b>	<b>\$0.53</b>	<b>\$0.93</b>
Operating Gains – Kraft Foods’ Base Business	0.08	0.16
Change in Unrealized Gains/Losses from Hedging Activities	(0.01)	(0.06)
Change in Foreign Currency	--	0.03
Cadbury Operating Earnings	0.11	0.18
Higher Interest Expense <sup>(1)</sup>	(0.06)	(0.09)
Change in Shares Outstanding	(0.08)	(0.12)
Changes in Taxes <sup>(2)</sup>	0.03	0.07
<b>2010 Operating EPS<sup>(3)</sup></b>	<b>\$0.60</b>	<b>\$1.10</b>
Integration Program Costs <sup>(4)</sup>	(0.06)	(0.08)
Acquisition-Related Costs <sup>(5)</sup> and Financing Fees <sup>(6)</sup>	(0.01)	(0.24)
U.S. Health Care Legislation Impact on Deferred Taxes	--	(0.08)
<b>2010 Diluted EPS from Continuing Operations</b>	<b>\$0.53</b>	<b>\$0.70</b>
Earnings and Gain from Discontinued Operations	--	\$0.97
<b>2010 Diluted EPS</b>	<b>\$0.53</b>	<b>\$1.67</b>

(1) Excludes a negative \$0.10 per share impact (June YTD) from financing fees related to the Cadbury acquisition.

(2) Excludes the impact of a deferred tax charge of approximately \$0.08 per share (June YTD), resulting from recently enacted U.S. health care legislation.

(3) See GAAP to Non-GAAP reconciliation at the end of this presentation.

(4) Integration Program costs to combine the Kraft Foods and Cadbury businesses.

(5) Includes transaction advisory fees, UK stamp taxes and the impact of the Cadbury inventory revaluation.

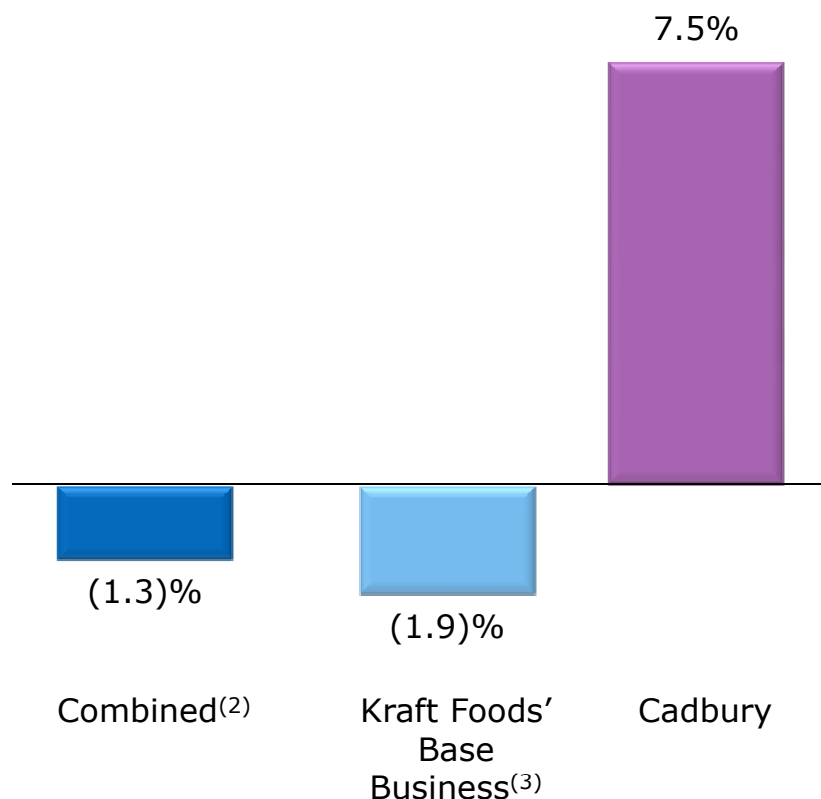
(6) Includes hedging and foreign currency impacts associated with the Cadbury acquisition and other fees associated with the Cadbury bridge facility.





# Kraft Foods North America: Q2 Organic Net Revenue Growth

## Organic Net Revenue Growth<sup>(1)</sup>



- Kraft Foods' base business weaker than expected
- Expect solid base Kraft Foods growth in H2 from key programs
- Cadbury posted strong growth driven by gains in gum
  - Will lap *Trident Layers* launch in H2

(1) See GAAP to Non-GAAP reconciliation at the end of this presentation.

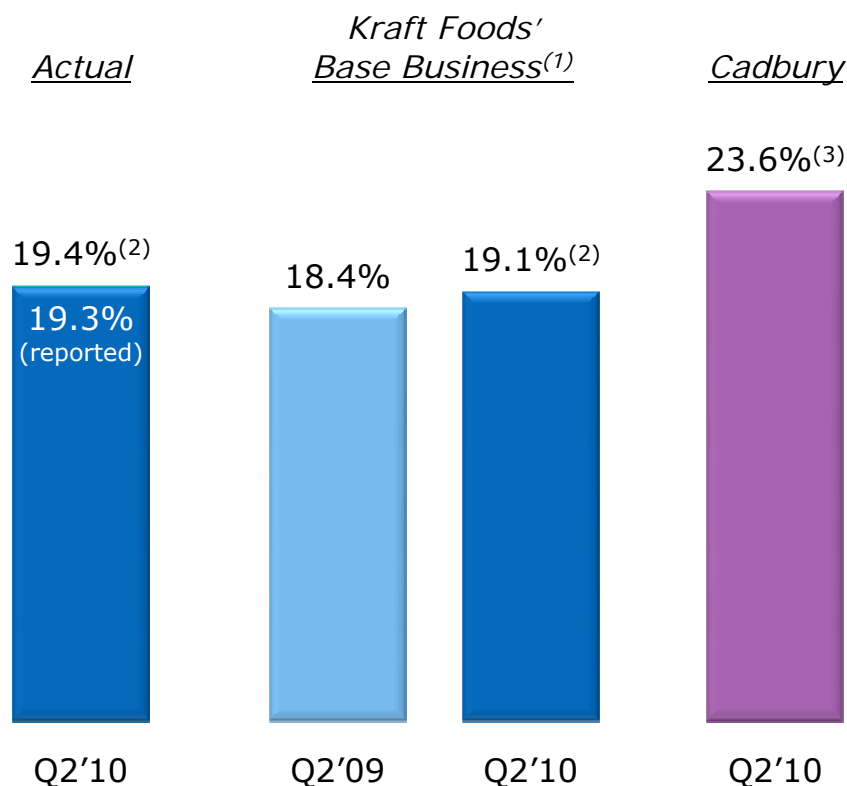
(2) Reported Net Revenues increased 6.3%.

(3) Kraft Foods' base business is defined as the continuing operations of Kraft Foods, excluding the Cadbury financial results.



# Kraft Foods North America: Q2 Segment Operating Income Margin

## Segment Operating Income Margin



- Kraft Foods' base business improvement fueled by strong productivity gains
- Cadbury delivered productivity gains and improved product mix

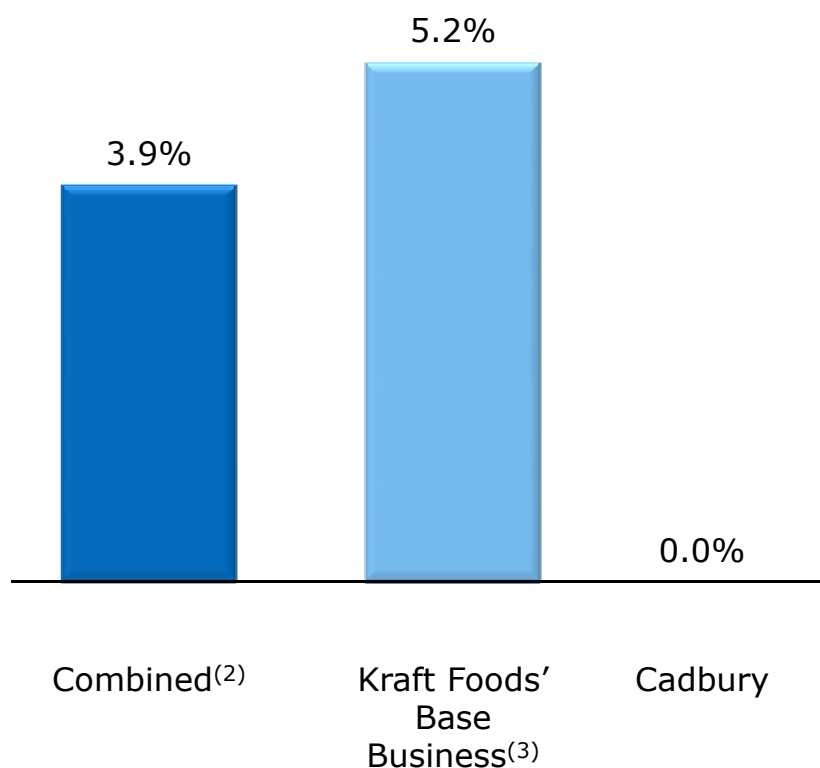
(1) Kraft Foods' base business is defined as the continuing operations of Kraft Foods, excluding the Cadbury financial results.

(2) Excludes acquisition-related and integration program costs. See GAAP to Non-GAAP reconciliation at the end of this presentation.

(3) Recorded operating income margin was 21.8%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

# Kraft Foods Europe: Q2 Organic Net Revenue Growth

## Organic Net Revenue Growth<sup>(1)</sup>



- Increased focus and support behind priority brands drove growth across Kraft Foods' base business
- Cadbury performance reflects solid growth in Britain and France

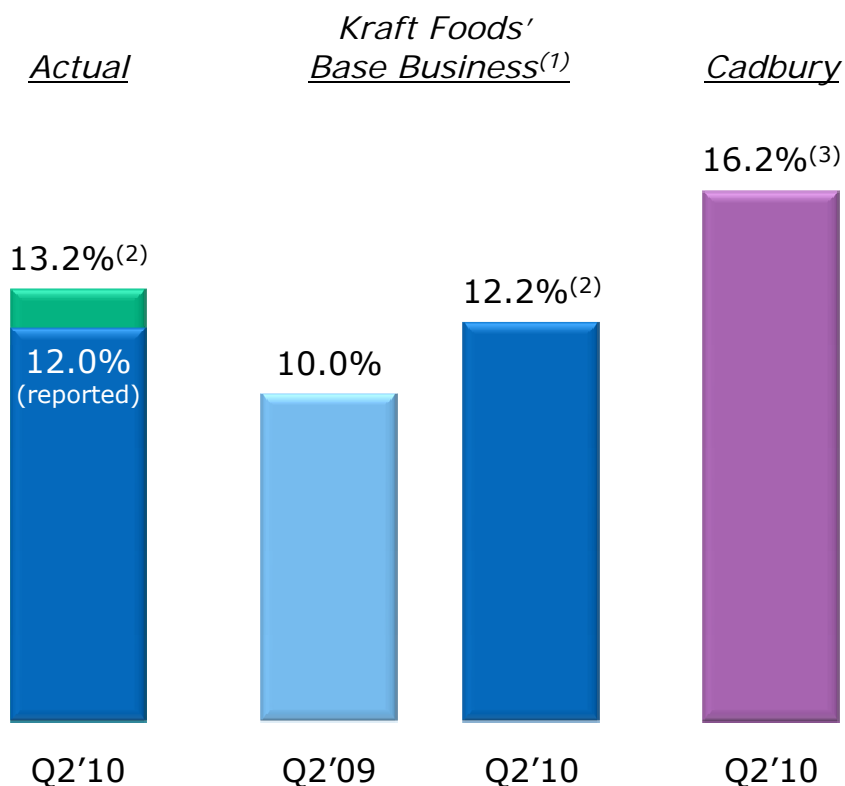
(1) See GAAP to Non-GAAP reconciliation at the end of this presentation.

(2) Reported Net Revenues increased 34.1%.

(3) Kraft Foods' base business is defined as the continuing operations of Kraft Foods, excluding the Cadbury financial results.

# Kraft Foods Europe: Q2 Segment Operating Income Margin

## Segment Operating Income Margin

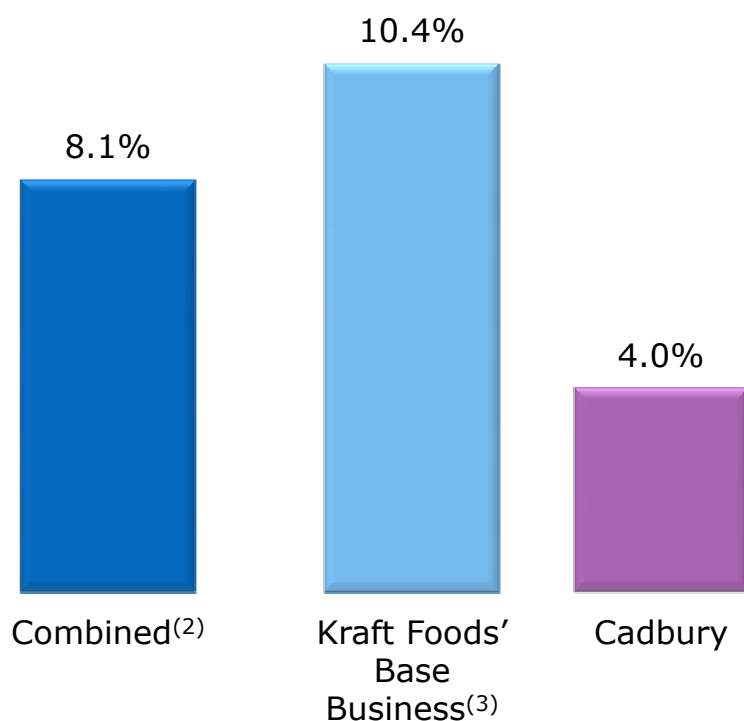


- Volume/mix growth, overhead leverage drove strong margin gains in Kraft Foods' base business
- Cadbury profit reflects benefits of improved product mix and supply chain efficiencies

(1) Kraft Foods' base business is defined as the continuing operations of Kraft Foods, excluding the Cadbury financial results  
(2) Excludes acquisition-related and integration program costs. See GAAP to Non-GAAP reconciliation at the end of this presentation.  
(3) Recorded operating income margin was 11.0%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

# Kraft Foods Developing Markets: Q2 Organic Net Revenue Growth

## Organic Net Revenue Growth<sup>(1)</sup>



- Investments in priority brands, markets drove strong growth of Kraft Foods' base business
- Cadbury strong in Latin America, Asia

(1) See GAAP to Non-GAAP reconciliation at the end of this presentation.

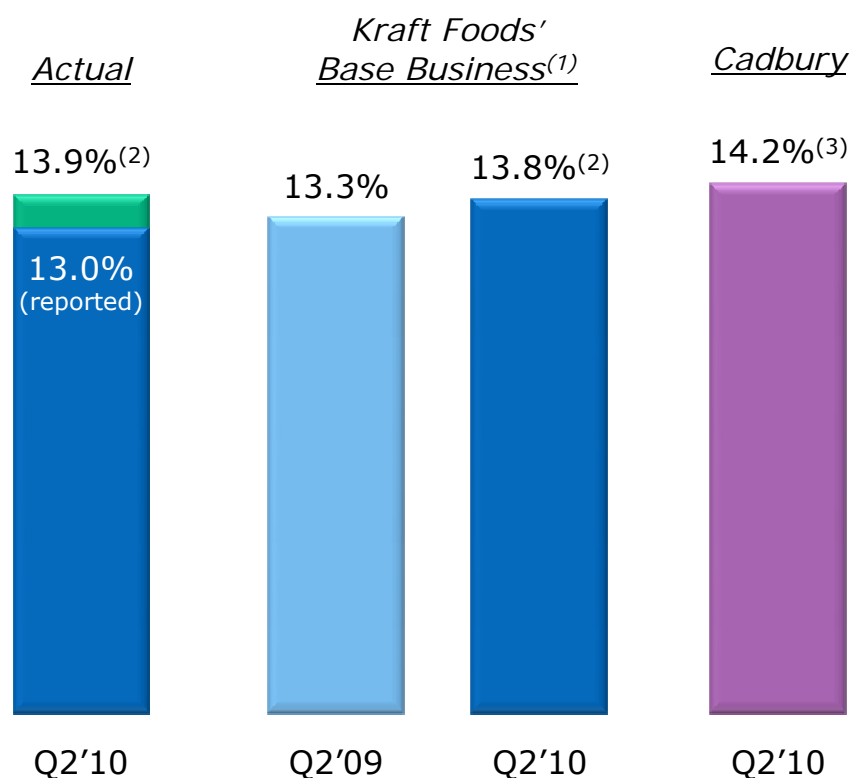
(2) Reported Net Revenues increased 73.4%.

(3) Kraft Foods' base business is defined as the continuing operations of Kraft Foods, excluding the Cadbury financial results.



# Kraft Foods Developing Markets: Q2 Segment Operating Income Margin

## Segment Operating Income Margin



- Vol/mix gains and overhead leverage drove margin gains in Kraft Foods' base business
- Cadbury profit primarily reflects better alignment of pricing and costs, favorable product mix

(1) Kraft Foods' base business is defined as the continuing operations of Kraft Foods, excluding the Cadbury financial results.

(2) Excludes acquisition-related and integration program costs. See GAAP to Non-GAAP reconciliation at the end of this presentation.

(3) Recorded operating income margin was 12.2%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

# Strong first half earnings

- Improved portfolio mix, broader geographic footprint, brand-building investments and cost savings initiatives paying off
- Volume/mix gains, leveraging scale and lower overhead costs driving margin expansion and fueling brand investments
- H1 Operating EPS +18% versus prior year<sup>(1)</sup>

(1) Reported Diluted EPS from continuing operations for the six months ended June 30, 2010 declined (24.7)%. See GAAP to Non-GAAP reconciliation at the end of the presentation.

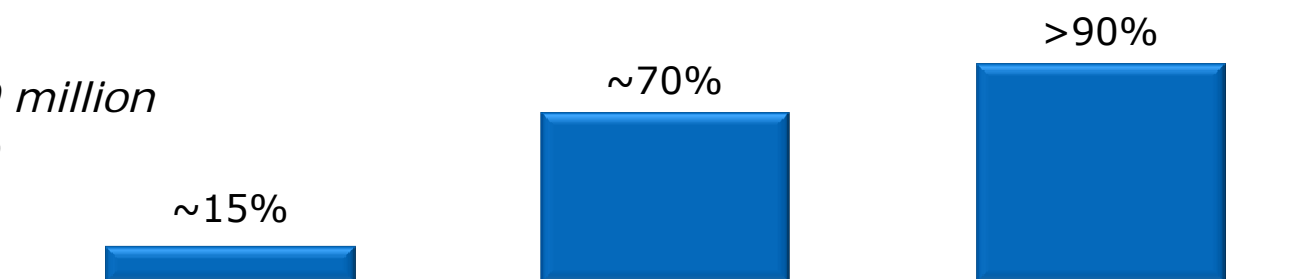
# Raising cost synergy target to at least \$750 million

## Cost Synergies / Pre-Tax Integration Costs

### Cost Synergies

*Total at least \$750 million*

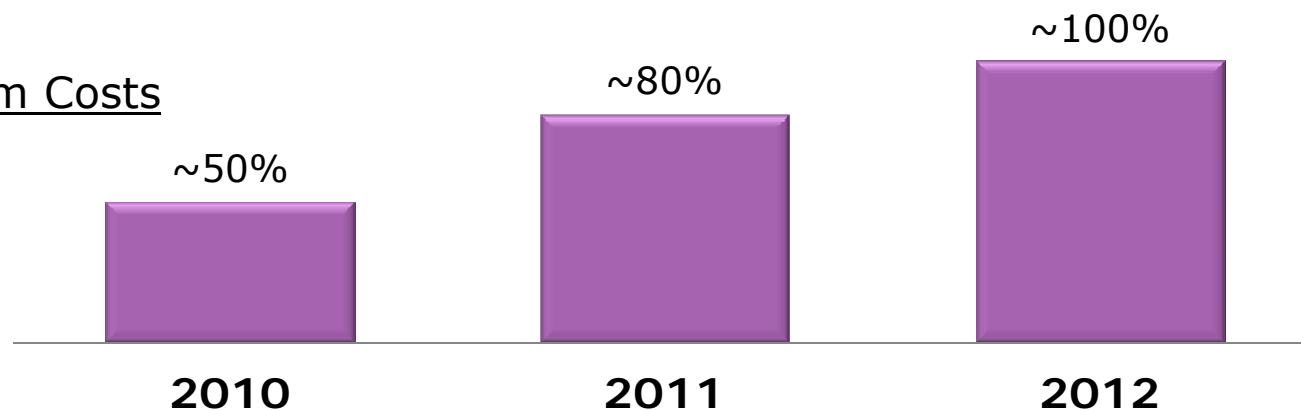
*(Cumulative P&L Impact)*



### Integration Program Costs

*Total ~\$1.5 billion*

*(Cumulative)*





# Adjusting top-line growth for 2010

- Combined Organic Net Revenue to grow 3-4%
  - + Solid base consumption driven by brand equity investments
  - + Key new product, merchandising programs in H2
  - Normalizing Cadbury trade inventory in select markets
  - Aggressive promotional environment in U.S.

# Spending back 2010 earnings upside

- Confirmed Operating EPS guidance of at least \$2.00
  - + Profitable growth from brand equity investments
  - + Strong productivity gains
  - + Greater synergy savings
  - + Lower taxes
  - Incremental investments in brand equity
  - Normalizing Cadbury trade inventory in select markets
  - Selective response to aggressive promotional activity

# Building a global powerhouse

- Integration on track, greater cost synergies
- Reaping benefits of more diverse, global portfolio
- Delivering high quality base business earnings growth
- Spending back upside to build brands, lay foundation for top-tier performance in 2011



# GAAP to Non-GAAP Reconciliation

## Net Revenues to Organic Net Revenues

For the Three Months Ended June 30,  
(\$ in millions, except percentages) (Unaudited)

	As Reported (GAAP)	Impact of Divestitures	Impact of Acquisitions	Impact of Currency	Base Kraft Foods Organic (Non-GAAP)	Add back:		Cadbury Organic (Non-GAAP) <sup>(1)</sup>	Combined Organic (Non-GAAP)	% Change			
						Impact of Acquisitions - Cadbury <sup>(1)</sup>	Impact of Currency - Cadbury <sup>(1)</sup>			As Reported (GAAP)	Base Kraft Foods Organic (Non-GAAP)	Cadbury Organic (Non-GAAP) <sup>(1)</sup>	Combined Organic (Non-GAAP)
<b>2010</b>													
Kraft Foods North America	\$ 6,161	\$ -	\$ (399)	\$ (88)	\$ 5,674	\$ 399	\$ (11)	\$ 388	\$ 6,062	6.3%	(1.9)%	7.5%	(1.3)%
Kraft Foods Europe	2,793	-	(662)	52	2,183	662	34	696	2,879	34.1%	5.2%	0.0%	3.9%
Kraft Foods Developing Markets	3,299	-	(1,168)	(37)	2,094	1,168	(77)	1,091	3,185	73.4%	10.4%	4.0%	8.1%
<b>Kraft Foods</b>	<b>\$ 12,253</b>	<b>\$ -</b>	<b>\$ (2,229)</b>	<b>\$ (73)</b>	<b>\$ 9,951</b>	<b>\$ 2,229</b>	<b>\$ (54)</b>	<b>\$ 2,175</b>	<b>\$ 12,126</b>	<b>25.3%</b>	<b>2.0%</b>	<b>3.3%</b>	<b>2.2%</b>
<b>2009 (As Revised) <sup>(2)</sup></b>													
Kraft Foods North America	\$ 5,796	\$ (15)	\$ -	\$ -	\$ 5,781	\$ 361	\$ -	\$ 361	\$ 6,142				
Kraft Foods Europe	2,083	(7)	-	-	2,076	696	-	696	2,772				
Kraft Foods Developing Markets	1,902	(5)	-	-	1,897	1,049	-	1,049	2,946				
<b>Kraft Foods</b>	<b>\$ 9,781</b>	<b>\$ (27)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,754</b>	<b>\$ 2,106</b>	<b>\$ -</b>	<b>\$ 2,106</b>	<b>\$ 11,860</b>				

<sup>(1)</sup> Kraft Foods acquired Cadbury plc on February 2, 2010. Cadbury data, shown above, is for Q2 2010 and 2009, adjusted from IFRS to U.S. GAAP and translated to US\$ from local countries' currencies. Cadbury 2009 data is presented on a combined company, pro forma basis.

<sup>(2)</sup> As revised to reflect Frozen Pizza as a discontinued operation.



# GAAP to Non-GAAP Reconciliation

## Operating Income Margins

For the Three Months Ended June 30, 2010

(\$ in millions, except percentages) (Unaudited)

	As Reported (GAAP)	Integration Program Costs <sup>(1)</sup>	Acquisition- Related Costs <sup>(2)</sup>	Excluding Acquisition- Related and Integration Program Costs (Non-GAAP)	Cadbury	Base Kraft Foods (Non-GAAP)
<b><u>Kraft Foods</u></b>						
Net revenues	\$ 12,253	\$ -	\$ -	\$ 12,253	\$ (2,229)	\$ 10,024
Operating Income	\$ 1,701	\$ 149	\$ 11	\$ 1,861	\$ (260)	\$ 1,601
Operating Income Margin	13.9%			15.2%		16.0%
<b><u>Kraft Foods North America</u></b>						
Net revenues	\$ 6,161	\$ -	\$ -	\$ 6,161	\$ (399)	\$ 5,762
Operating Income	\$ 1,187	\$ 7	\$ -	\$ 1,194	\$ (94)	\$ 1,100
Operating Income Margin	19.3%			19.4%		19.1%
<b><u>Kraft Foods Europe</u></b>						
Net revenues	\$ 2,793	\$ -	\$ -	\$ 2,793	\$ (662)	\$ 2,131
Operating Income	\$ 335	\$ 33	\$ -	\$ 368	\$ (107)	\$ 261
Operating Income Margin	12.0%			13.2%		12.2%
<b><u>Kraft Foods Developing Markets</u></b>						
Net revenues	\$ 3,299	\$ -	\$ -	\$ 3,299	\$ (1,168)	\$ 2,131
Operating Income	\$ 429	\$ 32	\$ (1)	\$ 460	\$ (166)	\$ 294
Operating Income Margin	13.0%			13.9%		13.8%

<sup>(1)</sup> Integration Program costs are defined as the costs associated with combining the Kraft Foods and Cadbury businesses, and are separate from those costs associated with the acquisition.

<sup>(2)</sup> Acquisition-related costs include transaction advisory fees and the impact of the Cadbury inventory revaluation.



# GAAP to Non-GAAP Reconciliation

## Operating Income Margins - Cadbury

For the Three Months Ended June 30, 2010  
(\$ in millions, except percentages) (Unaudited)

	As Recorded (GAAP) <sup>(1)</sup>	Integration Program Costs <sup>(2)</sup>	Acquisition- Related Costs <sup>(3)</sup>	Excluding Acquisition- Related and Integration Program Costs (Non-GAAP)
<b>Pro Forma Cadbury</b>				
Net revenues	\$ 2,229	\$ -	\$ -	\$ 2,229
Operating Income	\$ 166	\$ 95	\$ (1)	\$ 260
Operating Income Margin	7.4%			11.7%
<b>Pro Forma Cadbury North America</b>				
Net revenues	\$ 399	\$ -	\$ -	\$ 399
Operating Income	\$ 87	\$ 7	\$ -	\$ 94
Operating Income Margin	21.8%			23.6%
<b>Pro Forma Cadbury Europe</b>				
Net revenues	\$ 662	\$ -	\$ -	\$ 662
Operating Income	\$ 73	\$ 34	\$ -	\$ 107
Operating Income Margin	11.0%			16.2%
<b>Pro Forma Cadbury Developing Markets</b>				
Net revenues	\$ 1,168	\$ -	\$ -	\$ 1,168
Operating Income	\$ 143	\$ 24	\$ (1)	\$ 166
Operating Income Margin	12.2%			14.2%

<sup>(1)</sup> Pro Forma Cadbury results included Integration Program costs and acquisition-related costs as they were recorded in their re

<sup>(2)</sup> Integration Program costs are defined as the costs associated with combining the Kraft Foods and Cadbury businesses, and are separate from those costs associated with the acquisition.

<sup>(3)</sup> Acquisition-related costs reflect the impact of the Cadbury inventory revaluation.



# GAAP to Non-GAAP Reconciliation

## Diluted Earnings per Share to Operating EPS

For the Three Months Ended June 30,  
(Unaudited)

	2009	2010				% Change	
	As Revised (GAAP) <sup>(1) (2)</sup>	As Reported (GAAP)	Integration Program Costs <sup>(3)</sup>	Acquisition- Related Costs <sup>(4)</sup> and Financing Fees <sup>(5)</sup>	Operating (Non-GAAP)	As Reported (GAAP)	Operating (Non-GAAP)
Diluted EPS attributable to Kraft Foods							
- Continuing operations	\$ 0.53	\$ 0.53	\$ 0.06	\$ 0.01	\$ 0.60	0.0%	13.2%
- Discontinued operations	0.03	-					
- Net earnings attributable to Kraft Foods	\$ 0.56	\$ 0.53					

<sup>(1)</sup> As revised to reflect Frozen Pizza as a discontinued operation.

<sup>(2)</sup> For 2009, Operating EPS equals Diluted EPS from continuing operations as there were no Integration Program costs, acquisition-related costs or financing fees incurred in the six months ended June 30, 2009.

<sup>(3)</sup> Integration Program costs are defined as the costs associated with combining the Kraft Foods and Cadbury businesses, and are separate from those costs associated with the acquisition.

<sup>(4)</sup> Acquisition-related costs include transaction advisory fees, UK stamp taxes and the impact of the Cadbury inventory revaluation.

<sup>(5)</sup> Acquisition-related financing fees include hedging and foreign currency impacts associated with the Cadbury acquisition and other fees associated with the Cadbury Bridge Facility.





# GAAP to Non-GAAP Reconciliation

## Diluted Earnings per Share to Operating EPS

For the Six Months Ended June 30,  
(Unaudited)

	2009		2010				% Change	
	As Revised (GAAP) <sup>(1) (2)</sup>	As Reported (GAAP)	Integration Program Costs <sup>(3)</sup>	Acquisition- Related Costs <sup>(4)</sup> and Financing Fees <sup>(5)</sup>	U.S. Health Care Legislation Impact on Deferred Taxes	Operating (Non-GAAP)	As Reported (GAAP)	Operating (Non-GAAP)
Diluted EPS attributable to Kraft Foods								
- Continuing operations	\$ 0.93	\$ 0.70	\$ 0.08	\$ 0.24	\$ 0.08	\$ 1.10	(24.7)%	18.3%
- Discontinued operations	0.07	0.97						
- Net earnings attributable to Kraft Foods	\$ 1.00	\$ 1.67						

<sup>(1)</sup> As revised to reflect Frozen Pizza as a discontinued operation.

<sup>(2)</sup> For 2009, Operating EPS equals Diluted EPS from continuing operations as there were no Integration Program costs, acquisition-related costs or financing fees incurred in the six months ended June 30, 2009.

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